THE SECOND BANK OF THE UNITED STATES

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OF THE DEPARTMENT OF HISTORY

THE DECENNIAL PUBLICATIONS

SECOND SERIES VOLUME II

CHICAGO

THE UNIVERSITY OF CHICAGO PRESS

1903

THE DECENNIAL PUBLICATIONS OF
THE UNIVERSITY OF CHICAGO

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THESE VOLUMES ARE DEDICATED

TO THE MEN AND WOMEN
OF OUR TIME AND COUNTRY WHO BY WISE AND GENEROUS GIVING
HAVE ENCOURAGED THE SEARCH AFTER TRUTH
IN ALL DEPARTMENTS OF KNOWLEDGE

THE SECOND BANK OF THE UNITED STATES

HELEN HONOR TUNNICLIFF

μάλιστα δέ τ' ἔκλυον αὐτοί

PREFACE

In this book an effort has been made to write the history of the Second Bank of the United States in its various aspects, laying particular stress, however, upon its relations to politics, and upon its operations as a commercial bank.

My thanks are due to the Honorable Craig Biddle, of Philadelphia, the distinguished head of a distinguished family, whose members for over a century and a quarter have won honor in the annals of our country as seamen and soldiers, jurists, bankers, and historians. With a generosity as rare as it is grateful he has permitted free and complete access to the papers of his father, Nicholas Biddle, which still exist in their entirety at his summer home in Andalusia, Pennsylvania. Without this courtesy much of this history of the Bank of the United States could not have been written.

I wish also to thank Professor J. Franklin Jameson for his aid and encouragement.

R. C. H. C.

Chicago, August 29, 1902.

ABBREVIATIONS

B. P.: Biddle Papers. The manuscript correspondence of Nicholas Biddle, preserved at Andalusia, Pa.

Ex. Doc.: Executive Document.

F.: State Papers, folio edition. Finance.

H. R.: House Report.

P. L. B.: President's Letter Book. The letter books of President Nicholas Biddle, kept at Andalusia, Pa.

S. D.: Senate Document.

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CHAPTER I

ESTABLISHMENT OF THE BANK

THE Second Bank of the United States owed its origin to the disasters of the war of 1812, its existence to the party of strict construction founded by Jefferson and Madison. A brief survey of the state of the finances resulting from that war will reveal the necessity which impelled the Republicans to surrender their cherished constitutional principles and create a "monster" bank.

In 1811 the charter of the First Bank of the United States expired, and Congress, imbued with constitutional scruples and actuated by bitter hostility to Secretary Gallatin, refused to renew it. This act was the beginning of financial confusion and financial shipwreck, and foreseeing the result Gallatin fled from the treasury as soon as he could honorably do so. Thereupon William Jones, secretary of the navy, became acting secretary of the treasury, and in his person [1] helpless inefficiency was placed in control of the government finances. Surrendering the post in February, 1814, he was succeeded by the equally inefficient George W. Campbell.[2]

The result was that the administration of the finances could not possibly have been worse. In addition, Congress, after refusing to re-charter the bank, failed to make proper provision for a war revenue, being convinced that hostilities could be supported from the proceeds of the peace revenue supplemented by loans, in spite of the fact that in 1811 the

[1] "During the disconsolate interval, from May, 1813, till February, 1814, Mr. Jones imperfectly performed the routine duties of that vital organ."—INGERSOLL, *The Second War with Great Britain*, Vol. II, p. 252.

[2] *Ibid.*, p. 253.

ordinary revenue had been not more than adequate to discharge the ordinary expenses.[1] It was presumed that loans would be easily negotiated, even though Congress failed to take any measures to provide for their repayment,[2] and though the moneyed men of the East refused assistance to the government. A brief experience brought disillusionment. The tariff dues dwindled to almost nothing, while the project of borrowing the necessary funds soon proved utterly vain.

Two methods of raising loans were adopted. The first was to increase the funded debt by the sale of bonds; the second, to issue treasury notes. Congress authorized bond issues during the years 1812–14 to the amount of $61,000,000,[3] but the administration procured only $45,172,581,[4] and of this only the sum of $7,860,000 was negotiated at par, the rest being taken at rates varying from $88 to $80 in cash for $100 in stock.[5] The direct loss to the government was over $6,000,000, and there was an even more serious indirect loss resulting from the circumstance that much of the paper money paid to the government for its stock was depreciated from 20 to 30 per cent.[6] An excellent example of the manner in which stock loans were negotiated is presented by the failure of the $25,000,000 loan of 1814. Secretary Campbell, despite the most strenuous exertions, was able to

[1] SEC. DALLAS, Dec., 1815, *Reports on the Finances*, Vol. II, p. 5.

[2] INGERSOLL, Vol. II, p. 251; DALLAS, Dec., 1815, *Reports on the Finances*, Vol. II, p. 6.

[3] DALLAS, *ibid.*, pp. 7–12. [4] *Ibid.*, p. 15. [5] *Ibid.*, p. 17.

[6] The Committee of Ways and Means declared in 1830 that "The government borrowed, during the short period of the war, eighty millions of dollars, at an average discount of fifteen per cent., giving certificates of stock, amounting to eighty millions of dollars, in exchange for sixty-eight millions of dollars, in such bank paper as could be obtained. . . . . But the sum of sixty-eight millions of dollars, received by the government, was in a depreciated currency, not more than half as valuable as that in which the stock given in exchange for it, has been and will be redeemed. Here, then, is another loss of thirty-four millions, ... making, with the sum lost by the discount, forty-six millions of dollars."—*H. R.* 358, 21st Cong., 1st Sess., p. 12.

secure only $10,400,000 of this sum. In July, in answer to a request for $6,000,000, he received offers for $2,500,000, and was compelled to accept $80 in cash for $100 in stock. The immediate consequence was that the loan of $9,000,000, negotiated in the previous spring at $88 on the $100, had also to be granted at the rate of $80 on the $100, since Campbell had agreed to allow the takers of that sum the best terms given on any part of the loan. Even then many subscribers failed to fulfil their contracts.[1] The result had justified Webster's opinion that the loan for the year would fail unless a bank could be established.[2] It seemed "that loans on any terms" were "totally at an end,"[3] and that the "system had at length entirely exploded, ... notwithstanding the Government had been prepared to accept terms of the most extravagant and ruinous character."[4]

The reliance upon treasury notes had proved equally futile. Beginning with June 30, 1812, and ending with December 26, 1814, Congress authorized the emission of $35,500,000 in treasury notes, at $5\frac{2}{5}$ per cent. interest, reimbursable in one year from the date of issue, receivable in payment of all duties, taxes, and debts due to the United States, not a legal tender, and to be issued only at par.[5] Of this amount only $17,227,280 were issued, and but a small part of this sum was in circulation at any one time, since the notes, though legally not redeemable for one year, were indirectly redeemable at once because the government was bound to receive them in all payments of debts and taxes due to it.

[1] SEC. CAMPBELL, Sept. 23, 1814, *Reports on the Finances*, Vol. I, p. 528.

[2] Webster to E. Webster, March 28, 1814, *Correspondence*, Vol. I, p. 243.

[3] SAMUEL INGHAM, Nov. 17, 1814, *A. of C.*, 13th Cong., Vol. III, p. 592.

[4] THOMAS OAKLEY, Oct. 21, 1814, *ibid.*, p. 421. Dallas, speaking of April, 1814, says: "The plan of finance, which was predicated upon the theory of defraying the extraordinary expenses of the war by successive loans, had already become inoperative."—*Reports on the Finances*, Vol. II, pp. 11, 12.

[5] *Statutes at Large*, Vol. II, p. 766, June 30, 1812, $5,000,000; *ibid.*, p. 801, Feb. 25, 1813, $10,000,000; *ibid.*, Vol. III, p. 100, March 4, 1814, $10,000,000; *ibid.*, p. 161, Dec. 26, 1814, $10,500,000.

Moreover, the period of issue was so brief that the treas was kept busy redeeming old issues almost as rapidly as ı ones were made.[1] Secretary Campbell calculated that it not possible to keep in circulation over $6,000,000 of tre ury notes.[2]

By May, 1813, Congress had become convinced that sc fixed provision for the payment of loans must be made, ε had begun "to lay the foundation of a system of inter revenue." Later it largely increased the taxes then la But events had now progressed so far that the condition the treasury was desperate. The banks of the country, w the exception of those in New England, suspended spe payments in August and September, 1814,[4] and the res upon the finances of the United States was immediate ε destructive. Had there existed a national bank, suspensi though injurious to the country, might have been benefic to the government;[5] but without the bank, since the st banks would neither pay specie nor accept each other's nc at par, the country was left without any common medium exchange, and hence the government was forced to rece its revenues in state-bank paper and treasury notes of degrees of depreciation.[6] Notes at par in one section of

[1] Amount of treasury notes outstanding Jan. 1, 1813, $2,835,500; Jan. 1, $4,907,300; Jan. 1, 1815, $10,646,480.—DALLAS, Dec. 1815, *Reports on the Fina* Vol. II, p. 50.

[2] CAMPBELL, Dec., 1814, *ibid.*, Vol. I, p. 529.

[3] DALLAS, Dec., 1815, *ibid.*, Vol. II, pp. 8, 12.

[4] The capture of Washington precipitated suspension. The banks of the Dis suspended first, and were followed in rapid succession by those of Maryland, I sylvania, New York, New Jersey, Virginia, Ohio, and Kentucky. The New Eng banks did not suspend, though some sixteen or eighteen country banks in that of the nation used the suspension as a pretext to pay or not, as circumstε directed.—NILES, Vol. VII, Appendix, p. 175.

[5] "Suspension mattered little, and had the national bank been in existence failure might have been an advantage to the government."—ADAMS, *History o United States*, Vol. VIII, p. 214.

[6] Sept., 1814, at Boston, Baltimore paper, 20 per cent. discount; New York, 1 cent.—ADAMS, *Gallatin's Writings*, Vol. III, p. 363. Jan. 19, 1815, New York p 19-20 per cent. discount; Philadelphia, 22 per cent.; Baltimore, 25 per cent.; Feb. Boston, New York paper, 20-24 per cent. discount; Philadelphia, 24 per cent.;]

Union were at a heavy discount in another, and the rate varied "not only from time to time, but at the same time from state to state, and in the same state from place to place."[1] The result was that the government found itself burdened with an enormous mass of depreciated paper current only in the immediate vicinity of its issue. To discharge a debt in New England it must offer specie or New England notes, since nothing else was current there; while in New York no one would accept anything of less value than specie, New England notes, or New York notes. In Pennsylvania, again, New York notes would not be received at par, and in the rest of the country neither New York nor Pennsylvania notes were acceptable. Since Congress had not authorized the treasury to make any allowance for discount in such cases, the government could not employ issues of one state in another state;[2] nor would treasury notes suffice to discharge the debt, for by the law they must be issued at par, and yet were depreciated in the open market, often to a greater extent than bank notes.[3] Hence no one would receive them unless forced to do so.[4] Meanwhile,

more, 30 per cent.; United States 6 per cents, 40 per cent.; treasury notes, from 24 to 25 per cent.—NILES, Vol. VII, Appendix, p. 176. July, 1815, specie premium, 20 per cent. in Baltimore; 11 per cent. in Philadelphia; 14 per cent. in New York.—ADAMS, *Gallatin's Writings*, Vol. III, p. 363.

1 ADAMS, *ibid.*, p. 331.

2 "From the suspension of specie payments and from various other causes . . . . differences in the rate of exchange arose between the several states; and the embarrassments of the treasury were more and more increased, since Congress had not sanctioned any allowance on account of the rate of exchange . . . . wherever the treasury failed in procuring a local currency, it failed also in making a stipulated payment."—DALLAS, Dec., 1815, *Reports on the Finances*, Vol. II, p. 25. Eppes said: "The notes of New York and Philadelphia will not be received in Boston; the notes of Baltimore, or of the District of Columbia, will not answer for payments in Philadelphia."—*A. of C.*, 13th Cong., Vol. III, p. 378, Report, Oct. 10, 1814.

3 Note 2, *supra*; also NILES, Vol. VIII, pp. 422, 423. "Payments in bank paper were universally preferred during that period."—DALLAS, Dec., 1815, *Reports on the Finances*, Vol. II, p. 25.

4 "Treasury notes, which none but necessitous creditors, or contractors, in distress, or commissaries, quartermasters, and navy agents, acting, as it were officially, seemed willing to accept."—DALLAS, *A. of C.*, 13th Cong., Vol. III, p. 652 Nov. 27, 1814.

large sums on deposit for the government in southern or western banks were almost utterly useless, because they could not be transferred to the places where they were payable; and the future promised no relief, since the taxes were paid, not in specie, but in treasury notes, which, "almost as soon as they were issued, reached the hands of the collectors, in payment of debts, duties, and taxes; thus disappointing and defeating the only remaining expectations of productive revenue."[1] The effect upon the finances was literally annihilating.

Such being the situation, the machinery of government threatened to come to a disastrous stop. In November, 1814, Secretary Dallas was compelled to announce to the holders of government securities in Massachusetts that the treasury could no longer pay the interest on the national debt held in that section, having neither specie nor New England bank notes with which to pay.[2] At the same moment the administration failed to redeem treasury notes at Boston, Philadelphia, and New York;[3] it actually paid some of its soldiers in bank notes which were not receivable in discharge of taxes;[4] it could not obtain funds "to defray the current ordinary expenses of the different departments." The State Department was unable to discharge its stationery bill; "the treasury was obliged to borrow pitiful sums, which it would disgrace a merchant in tolerable credit to ask for;" the War Department could not pay a bill for $3,500; "the paymaster was unable to meet demands for paltry amounts—not even for $30;"[5] the deficit for the coming year would probably reach $40,000,000.[6] Meanwhile, the government

[1] DALLAS, *A. of C.*, 13th Cong., Vol. III, p. 652.

[2] Dallas to commissioner of loans at Boston, Nov. 9, NILES, Vol. VII, p. 270.

[3] Dallas to Eppes, Dec. 2, 1814, Schedule A, *A. of C.*, 13th Cong., Vol. III, pp. 767, 768. The amount was $1,902,680.80.

[4] Dallas to Eppes, Nov. 23, 1814, *ibid.*, p. 717.

[5] HANSON, of Maryland, Nov. 28, 1814, *ibid.*, pp. 656, 657.

[6] Webster to E. Webster, Jan. 22, 1815, *Correspondence*, Vol. I, p. 250.

"was subsisting upon the drainings of unchartered banks in the District,"[1] and on the proceeds of temporary loans procured from various state banks, as a matter of grace on their part.[2]

These were the events which compelled the Republicans to establish a bank. Yet long before their culmination attempts had been made to pass a bank bill.[3] The history of the various efforts naturally falls into three periods: (1) the attempt while the war was in progress, before suspension; (2) during the war, after suspension; (3) after the war.

1. *During the war—before suspension.*—On January 4, 1814, Mr. Lefferts, of New York, presented the petition of one hundred and fifty citizens of that state "praying for the incorporation of a National Bank, with a capital of $30,000,000."[4] This petition was referred in the House to the Committee of Ways and Means, whose chairman was John W. Eppes, son-in-law of Thomas Jefferson, and the leader in Congress of the Virginia party, which adhered tenaciously to the doctrine of strict construction and believed firmly in the adequacy of treasury notes to meet the existing conditions.[5] The committee shared these views, and on the 10th Eppes reported against the proposition because it was unconstitutional to "create corporations within the territorial limits of the States, without the consent of the States."[6] Calhoun, who proved himself the real leader of the bank party in Congress, now suggested that the constitutional objection might be obviated by establishing the bank in the District of Columbia, and moved

[1] HANSON, *loc. cit.* [2] DALLAS, Dec., 1815, *Reports on the Finances*, Vol. II, p. 19.

[3] Gallatin, on leaving the treasury in May, 1813, had drawn up the charter of a new bank.—ADAMS, *History of the Administrations of Jefferson and Madison*, Vol. VII, pp. 45, 46.

[4] *A. of C.*, 13th Cong., Vol. I, p. 844. The petition was dated Dec. 18, 1813.—*Ibid.*, p. 874. A similar petition from Philadelphia was presented Jan. 20, 1814.—*Ibid.*, p. 1058.

[5] Jefferson to Eppes, Sept. 11, 1813, *Works*, Vol. VI, p. 199.

[6] *A. of C.*, 13th Cong., Vol. I, p. 873.

the reference of this suggestion to the consideration of the Committee of Ways and Means.[1] His motion prevailed. As Eppes could not be persuaded to support any bank bill,[2] John Taylor, of New York, reported from the committee a bill to erect a bank in the District, with a charter for twenty years and a capital of $30,000,000, the government to subscribe one-fifth of the stock and appoint one-fifth of the directors. There were to be no branches.[3] This last provision rendered the proposed bank no longer obnoxious to the strict constructionists, but also incapable of providing a national currency, and consequently unsatisfactory to all who desired to meet the existing emergency. "Everyone," said Fisk, of New York, ". . . . must perceive that a bill containing such provisions would not, could not, pass." Nevertheless, his motion to refer the matter to a select committee "with instructions to report a bill to establish a National Bank, with provisions for branches,"[4] was decidedly negatived.[5] Thus ended the first attempt to establish a bank.

On the 2d of April the subject came up again, Felix Grundy, of Tennessee, the recognized spokesman of the administration in the House, submitting a resolution for the appointment of a committee "to inquire into the expediency of establishing a National Bank."[6] The putative support of the administration put a new face on the matter, and the House rallied to the project. The strict constructionists were completely routed, a motion to confine the bank to the District receiving but thirty-two votes and Grundy's resolution being carried.[7] On the committee were appointed Grundy, Calhoun, William Lowndes, and six others.[8] Only one of the number was

[1] *A. of C.*, 13th Cong., Vol. I, p. 1235, Feb. 4, 1814. [2] *Ibid.*, Vol. II, p. 1861.

[3] *Ibid.*, p. 1579. [4] *Ibid.*, p. 1860. [5] *Ibid.*, p. 1862. Only 36 ayes.

[6] *Ibid.*, p. 1942. [7] *Ibid.*, p. 1956. Vote, 76 to 69.

[8] *Ibid.* Felix Grundy, Tennessee; John C. Calhoun, South Carolina; William Lowndes, South Carolina; Samuel G. Ingham, Pennsylvania; Thomas J. Oakley, New York; Artemas Ward, Massachusetts; Jonathan Fisk, New York; William Gaston, North Carolina; John G. Jackson, Virginia.

opposed to a bank, and that on constitutional grounds.[1] But the session was too nearly ended to permit the necessary discussion, and four days after its appointment the committee was discharged on the motion of its chairman.[2] The bill was "indefinitely postponed," and thus ended the second attempt to establish a bank.

2. *During the war—after suspension.*—During the recess of Congress the capture of Washington and the suspension of specie payments brought the Union to the verge of dissolution. Congress met in extra session September 19, 1814, and immediately took up the discussion of a bank bill, a bank being now considered absolutely necessary. Speaker Cheves, though allowing Eppes to retain the chairmanship of the Committee of Ways and Means, appointed all of his associates from the ranks of the bank party,[3] and a petition from New York city praying for the establishment of a bank was at once referred to the committee.

The overwhelming distress of the preceding months had at last shaken loose Campbell's incompetent grip upon the treasury department. He was succeeded by Alexander J. Dallas, of Philadelphia,[4] a capable lawyer, whom President Madison had wished to appoint earlier in the year, but had been restrained from so doing by the hostility of the Pennsylvania senators. The needs of the hour, however, swept away all opposition.[5] Dallas's appointment was understood by everyone to mean a national bank. Eppes, who still desired to pour out untold millions of almost worthless treas-

[1] Jackson, of Virginia. He was perfectly willing to have a bank if the constitutional question could be avoided.—INGERSOLL, Vol. II, p. 250.

[2] *A. of C.*, 13th Cong., Vol. III, p. 2002, April 8.

[3] INGERSOLL, Vol. II, p. 253. Members: Eppes, Virginia; Stevenson Archer, Maryland; Jonathan Fisk, New York; Thomas J. Oakley, New York; William Gaston, North Carolina; Samuel D. Ingham, Pennsylvania; William Creighton, Ohio.—*A. of C.*, 13th Cong., Vol. III, p. 303, Sept. 21.

[4] Oct. 5, 1814.

[5] INGERSOLL, Vol. II, p. 253.

ury notes,[1] addressed a letter to Dallas, asking him to express his opinion to the Committee of Ways and Means on the subject of the finances.[2] Dallas immediately replied, declaring bluntly that treasury notes would not meet the emergency, painting in the most lively colors the distress of the government, and ending by asserting that a national bank was "the only efficient remedy for the disordered condition of our circulating medium." [3]

This reply was decisive. On the 24th of October the Committee of Ways and Means reported a resolution declaring that it was "expedient to establish a National Bank, with branches in the several States." [4] The House agreed to the resolution immediately and without debate.[5] Four days later it refused to strike out the words "with branches in the several States," by the decisive vote of 138 to 14, and gave the committee leave to bring in a bill.[6]

On the 7th of November Jonathan Fisk reported as the committee's measure[7] a bill drawn up on lines marked out by Secretary Dallas. The capital was to be $50,000,000, $6,000,000 of the amount in specie, the rest in government stock issued during the war. The United States was to subscribe $20,000,000. The bank could not sell government stock, was to be bound to loan the United States $30,000,000 as soon as it went into operation, and the president of the United States was empowered to suspend specie payments when such suspension seemed necessary.[8]

This plan did not contemplate a bank which would restore

[1] On Oct. 10 Eppes had reported in favor of new issues, saying that "Treasury notes, combined with a system of taxation, more extended than the one heretofore adopted, will it is believed, in the present state of bank credit, be found to be a much better resource [*i. e.*, than loans]."—*A. of C.*, 13th Cong., Vol. III, p. 378.

[2] *Ibid.*, p. 401.

[3] *Ibid.*, pp. 401-9, Oct. 17, 1814.

[4] *Ibid.*, p. 457. Report brought in on the 21st.

[5] *Ibid.*, p. 458.

[6] *Ibid.*, pp. 498, 499, Oct. 28. "State sovereignty was laid low."—INGERSOLL, Vol. II, p. 255. Vote to bring in the bill, 93 to 54.

[7] *A. of C.*, 13th Cong., Vol. III, pp. 534, 535.

[8] Dallas's outline, *ibid.*, pp. 404-6, Oct. 17, 1814.

specie payments, nor even one that would itself pay specie.[1] What the administration wished was a machine which should assist in restoring the credit of the government, and make it possible to raise funds to carry on the war.[2] Hence the provision confining subscriptions in government stock to that issued during the war;[3] hence the clause allowing suspension, that binding the bank to loan the United States $30,000,000, and the section prohibiting it from selling government stock. In a word, nothing spoke in this plan but the necessities of the government, and in accordance with these necessities a specie-paying bank — indeed, any institution deserving the name of a bank — was an impossibility.

It is not surprising that this monstrous scheme was savagely attacked. Opposition came from three quarters: from the strict constructionists, a meager band; from the Federalists, able, noisy, persistent, and bitterly aggrieved by the provision to limit stock subscriptions to war stock;[4] and from those members of the Republican party who were willing to charter a bank, but wished one of a different character. This party was respectable in size, most ably led by Calhoun and Lowndes, and supported by Speaker Cheves.

Calhoun had at first been selected by the administration to champion its bill. He had thereupon devoted much time

[1] Madison's veto, Jan. 30, 1815, second head, *Messages and Papers*, Vol. I, pp. 556, 557. Webster said: "It will be utterly impossible for the bank to pay its notes. No such thing is expected of it. The first note it issues will be dishonored on its return."—*A. of C.*, 13th Cong., Vol. III, p. 1016, Jan. 2, 1815.

[2] "The objects of the Government are to place the public credit upon a solid and durable foundation; to provide a revenue commensurate with the demands of a war expenditure, and to remove from the Treasury an immediate pressure." —Dallas to Eppes, Oct. 17, 1814, *A. of C.*, 13th Cong., Vol. III, p. 403.

[3] Intended also to reward Republicans and punish Federalists, since the latter held very little of this stock.

[4] Ingersoll says: "On the 13th and 14th of November, 1814, came on the battle — not of the bank, but of the stocks: The prevailing controversy, to which the whole scheme ultimately fell a victim, was what stocks should compose the capital."—Vol. II, p. 256. "The project brought in by the new Secretary of the Treasury was calculated only for the benefit of the holders of the stock, created since the war."—Webster to E. Webster, Nov. 24, 1814, *Correspondence*, Vol. I, p. 247.

and study to the project, but, to the anger and dismay of the president and secretary, had soon concluded that it was totally unsuited to the crisis and extremely mischievous.[1] On the 16th of November, therefore, he introduced an opposition bill, which was designed to meet the wishes of all opponents to the Dallas plan. There was to be no suspension of specie payments; no government partnership; no forced loan. The capital was to be $50,000,000, $6,000,000 in specie and the remainder in specie or treasury notes, a new issue of which should be made for the purpose of supplying purchasers of bank stock.[2] In this manner the government would provide itself with a loan of $44,000,000, the advocates of treasury notes would be appeased, and the Federalist attack based on war-loan subscriptions avoided.

The Federalists joined Calhoun, and "generally voted for the amendment in preference to the first plan."[3] The administration Republicans, led by Ingham, Fisk, and Forsyth, "supported by the influence of the administration, backed by the money power, and the Committee of Ways and Means,"[4] contended for the treasury plan, especially for the provision authorizing a suspension of specie payments.[5] But the South Carolinians swept all before them, and on the day after its introduction Calhoun's plan was substituted for that of Dallas by "a majority of about sixty votes."[6]

No sooner was this done than it was found that Calhoun's supporters were by no means unanimous for his measure. "The opposition, the adherents of the administration, and those who had constitutional scruples" combined against it,[7]

[1] CALHOUN, *Works*, Vol. III, p. 126; or *C. D.*, Vol. XIV, Part I, pp. 481, 482.

[2] *A. of C.*, 13th Cong., Vol. III, pp. 587, 588, 594.

[3] Webster to E. Webster, Nov. 21, 1814, *Correspondence*, Vol. I, p. 247.

[4] CALHOUN, *Works*, Vol. III, p. 127; *C. D.*, Vol. XIV, Part I, p. 482.

[5] See Ingham's speech, Nov. 17, *A. of C.*, 13th Cong., Vol. III, p. 601. Here he declares that provision for suspension ought to be made, and that not to make it seems "a species of frantic enthusiasm." Also INGERSOLL, Vol. II, p. 256.

[6] *A. of C.*, 13th Cong., Vol. III, p. 613.

[7] CALHOUN, *Works*, Vol. III, p. 127; *C. D.*, Vol. XIV, Part I, p. 482.

while Lowndes, his ablest lieutenant, desired a smaller capital, and moved to reduce the sum to $35,000,000.[1] Calhoun opposed with "much zeal," and Lowndes's attempt failed, though motion followed motion, amendment amendment, forcing back into the bill many of the objectionable features of the treasury plan, while leaving the nature of the capital stock untouched.[2] So numerous were the changes that when the bill was reported to the House from the committee of the whole, it was "so interleaved and interlined with amendments . . . . that the clerk himself could scarcely arrange them or the Speaker state them to the House."[3]

After a week of arduous and acrimonious debate, Lowndes declared that in his opinion there was no "prospect of the final passage of the bill" as it stood, and moved its reference to a select committee. The House agreed with him, and the bill was referred "without a division."[4] The Federalists had consistently supported Lowndes's attack on Calhoun's plan, just as they had voted with Calhoun against Dallas. They advocated a specie-paying bank with a capital of $20,000,000.[5]

The select committee consisted of Lowndes, chairman, and Calhoun, Fisk, Forsyth, Ingham, Gaston, and Oakley,[6] all favorable to a bank and representing the different shades of favorable sentiment. Lowndes appealed to Dallas for an opinion on the advisability of having a capital composed of treasury notes. This was Dallas's opportunity, and he returned an answer which annihilated Calhoun's position, asserting that his plan could not succeed, and that to attempt it would involve the loss of the necessary loan for 1815 and the failure to restore the nation's credit.[7] The result was disheartening. Lowndes reported the bill back to the House precisely as it stood when it was referred to his

[1] *A. of C.*, 13th Cong., Vol. III, pp. 621, 622, Nov. 19. [2] *Ibid.*, p. 622.
[3] *Ibid.* [4] *Ibid.*, pp. 643, 644. [5] WEBSTER, *ibid.*, pp. 642, 643.
[6] *Ibid.*, p. 644. [7] Dallas to Lowndes, Nov. 27, 1814., *ibid.*, pp. 652–4.

committee, declaring that they had not "been able to discover any means of uniting the conflicting opinions on the subject."[1] His motion to reduce the capital to $30,000,000 was then adopted,[2] the Federalists supporting it. But, having gone so far, they would go no farther. When the speaker put the motion to read the bill for the third time, it was lost by a vote of 104 to 49;[3] and so ended the third attempt to secure a bank.

The House having failed, the Senate took up the task. On the 2d of December a bill was reported there substantially incorporating the provisions desired by Dallas.[4] The Federalist senators offered a feeble opposition, in the face of which the bill was pushed relentlessly forward, no amendments being permitted, and in one week's time it passed the Senate[5] and went to the House.

Here the debate began on the 23d and was continued along the same lines as before. Slight amendments were made, but it seemed that the Republicans, fearing to risk the bill, had decided to waive their individual preferences.[6] The Federalists, under the lead of Webster and Gaston, of North Carolina, exhausted all parliamentary means to defeat the bill, but were unsuccessful. The 29th of December, says Ingersoll, "was the stormiest bank day of the session,"[7] the fight being waged over the nature of the government stock to be subscribed to the bank's capital. When this matter was determined against the Federalists by a vote of 73 to 72,[8] the passage of the bill seemed inevitable, and the alarmed Federalists made a bid for the support of the Calhoun wing of the Republican party by declaring themselves

[1] *A. of C.*, 13th Cong., Vol. III, p. 651, Nov. 28, 1814.

[2] *Ibid.*, p. 655. [3] *Ibid.*, p. 686. [4] *Ibid.*, p. 119.

[5] *Ibid.*, p. 126. Vote: yeas, 17; nays, 14.

[6] "The details of the bill being nearly the same as those of the bill originally reported in this House, were not proposed to be changed."—*Ibid.*, p. 988.

[7] *Ibid.*, Vol. II, p. 259. [8] *Ibid.*, Vol. III, p. 998.

in favor of a bank, though not of this bank.[1] Webster proposed a plan which, he asserted, was the Federalist idea of a bank, saying that for an institution of this nature he should "at any time be willing to give" his "support."[2] The motion on the Dallas measure was then put to a vote, Lowndes voting for the bill, Calhoun against it, and the result being 81 ayes to 80 noes. Cheves, the speaker, had not voted. He arose, declared his conviction "that the bill proposed a dangerous, unexampled, and, he might almost say, a desperate resort," and cast his vote in the negative. The bill was lost.[3] For the fourth time the House had failed to enact a charter. Dallas was so incensed that he expressed "his determination to withdraw from the treasury."[4]

But the bank Republicans refused to be thwarted. No sooner was the vote announced than a motion to reconsider was made and, on the 3d of January, 1815, carried by 107 votes to 54.[5] The bill was then recommitted to a select committee,[6] which reported on the 6th of January. The Calhoun-Lowndes-Federalist compromise measure reappeared. The capital was to be $30,000,000, composed of $5,000,000 in specie, $10,000,000 in war stock, $15,000,-000 in treasury notes. There was to be no compulsory loan; no suspension; no government partnership, though

[1] Oakley and Stockton "pledged themselves to vote" for a modified bank bill, and believed that "a majority of their political friends" would do so.—*Ibid.*, p. 1031, Jan. 3.

[2] *Ibid.*, p. 1014, Jan. 2, 1815. (1) Capital, $25,000,000, with privilege to government to subscribe $5,000,000 more at some future time. (2) No suspension. (3) No obligatory loan to government. (4) Bank to commence operations within a specified time or forfeit its charter. (5) A certain per cent. penalty to be exacted on all notes not paid in specie on demand. (6) Capital to consist of $5,000,000 specie; $20,000,000 in any 6 per cent. stock, or treasury notes. (7) Bank to be permitted to sell government stock.—*Ibid.*, p. 1012, or first speech, *Works*, Vol. I.

[3] *A. of C.*, 13th Cong., Vol. III, pp. 1025, 1026, Jan. 2.

[4] DALLAS, *Life of Dallas*, pp. 138, 139. [5] *A. of C.*, 13th Cong., Vol. III, p. 1030.

[6] *Ibid.*, p. 1031; Samuel McKee, Kentucky; Wm. Findlay, Pennsylvania; Richard Stockton, New Jersey; Timothy Pitkin, Connecticut; John W. Taylor, New York; Alfred Cnthbert, Georgia; Bartlett Yancey, North Carolina.—*Ibid.*, p. 1032. All bank men.—INGERSOLL, Vol. II, p. 260.

Congress was to reserve the right to allow the government to subscribe $5,000,000 later.[1] The committee's report was accepted, and the bill was passed on the 7th of January by a vote of 128 to 38,[2] most of the Federalists supporting it. Their narrow escape from the Dallas Senate bill had served as a lesson to them.[3] Thus the House, having lacked only one vote of passing a measure utterly at variance with the present one, after having overwhelmingly defeated a similar bill, now, by a more overwhelming vote, adopted this measure.

The bill went at once to the Senate, which attempted amendments.[4] The House, however, refused to agree to any of them, the Federalists declaring that the bill as it stood was a compromise beyond which they could not and would not go.[5] The Senate receded in every particular, and the bill went to the president, who kept it for ten days and then returned it to the Senate with his veto. In doing so he explicitly waived the constitutional question. The proposed bank, he asserted, would not fulfil the purposes for which a bank was then needed; it would not enhance the public credit, provide a circulating medium, "furnish loans, or anticipations of the public revenue . . . . during the war."[6]

For the sixth time everything was recommenced. The Republicans held a meeting to determine on a bank which would conform to the president's wishes.[7] This meeting Calhoun and his supporters were "especially invited" to attend. They did so. A compromise between the administration plan and Calhoun's was suggested, but it was still

[1] *A. of C.*, 13th Cong., Vol. III, pp. 1039, 1040. [2] *Ibid.*, p. 1044.

[3] "We were obliged to make a bank or let Dallas's plan go."—Webster to E. Webster, Jan. 22, 1815, *Correspondence*, Vol. I, p. 250.

[4] Capital increased to $35,000,000; shares of $400 instead of $100; suspension to be allowed—these the most important.—*A. of C.*, 13th Cong., Vol. III, p. 166, Jan. 13, 1815.

[5] Stockton, of New York, Jan. 18, 1815, *ibid.*, p. 1081.

[6] *Messages and Papers*, Vol. I, pp. 555 f.

[7] JOHNSON, of Virginia, *A. of C.*, 15th Cong., 2d Sess., Vol. IV, p. 1248.

unsatisfactory to the South Carolinian and his adherents. He thereupon "required further concessions, which were refused," the administration Republicans asserting that they could carry the bill without his assistance.[1] Against the determined opposition of this little knot of the party, Senator Barbour, on February 6, introduced the new measure drawn mostly along the lines of the original Dallas bill.[2] A few days' debate ended in its passage by the Senate substantially unaltered.[3] Two days later it came up for discussion in the House, but the news of peace, promising an end to the most urgent necessities of the government, gave the whole question pause. On the motion of Lowndes the bill was indefinitely postponed.[4]

• 3. *After the war.*—The close of the war put an end to the opposition between Dallas and Calhoun, for it was no longer necessary to erect a bank for the purpose of procuring loans. The prime necessity now was to settle the currency, which remained in the utmost disorder, and to resume specie payments. Had it been possible to persuade the state banks to take steps looking to resumption, it is conceivable that the administration's advocacy of a national bank would have ceased.[5] But this was not possible. Dallas, therefore, again proposed that a national bank be established, and President Madison now broke silence and in his annual message suggested such an institution.[6]

1 CALHOUN, *Works*, Vol. III, p. 127; *C. D.*, Vol. XIV, Part I, p. 482.

2 *A. of C.*, 13th Cong., Vol. III, p. 226. $50,000,000 capital; $20,000,000 in treasury notes; $15,000,000 in 6 per cent. stock; $5,000,000 in specie; $10,000,000 to be subscribed by the United States; specie payments might be suspended by Congress; during and for one year after the war government was to be empowered to borrow $30,000,000 from the bank at 6 per cent. interest. The bank was not to pay specie until the first Monday in April, 1816.

3 By a strict party vote.—*Ibid.*, p. 232, Feb. 11.

4 *Ibid.*, p. 1168.

5 Dallas to the state banks, March 13, 1815, DALLAS, *Dallas*, pp. 285–7. Also letter of Feb. 20, 1815, *ibid.*, p. 273.

6 "If the operation of the State banks cannot produce this result [*i. e.*, the establishment of a general medium of exchange], the probable operation of a National Bank will merit consideration."—*Messages and Papers*, Vol. I, p. 566, Dec. 5, 1815.

When Congress met, Speaker Clay appointed Calhoun chairman of a select committee to consider "so much of the President's message as relates to an Uniform National Currency."[1] Calhoun applied to Dallas for the treasury's views on the subject, and in a letter of December 24 the secretary outlined the plan of the future bank. It was on precisely the same lines as the old Bank of the United States, with additions and modifications, and it left the Federalists no opportunity for offering an ingenuous and effective opposition.[2] On the 8th of January, 1816, Calhoun brought in the bill,[3] and on the 26th of February opened the discussion. His argument was to the effect that resumption was absolutely necessary, and comparatively easy, yet impossible without a national bank, since the state banks found too great a profit in the unsettled condition of the currency ever to resume. "Those who believe that the present state of things would ever cure itself," he asserted, "must believe what is impossible; banks must change their nature, ... before they will aid in doing what it is not their interest to do."[4]

The Federalists and the irreconcilables among the strict constructionists ~~fought the bill pertinaciously~~, Webster heading one ~~and John Randolph~~ the other party. The attack of the Federalists was concentrated on two points: the size of

[1] Committee: Calhoun; N. Macon, North Carolina; James Pleasants, Virginia; Joseph Hopkinson, Pennsylvania; Thomas B. Robertson, Louisiana; H. St. George Tucker, Virginia; Timothy Pickering, Massachusetts.—*A. of C.*, 14th Cong., 1st Sess., p. 377.

[2] I. Principal provisions: (1) An exclusive charter for twenty-one years; (2) capital, $35,000,000, with a proviso that Congress might increase it to $50,000,000; (3) United States to subscribe one-fifth of the capital; (4) capital to consist three-fourths of funded debt, one-fourth of specie.

II. Government of bank: (1) To be at Philadelphia and have branches; (2) twenty-five directors, with thirteen for each branch; (3) president of the United States to appoint five of the twenty-five directors; (8) the resident stockholders, being citizens, alone to vote for directors; (10) frequent statements to be furnished to the treasury.

III. Privileges and duties: (2) Notes receivable in all payments to government; (3) government transfers to be made without charge to government.

IV. Bonus: $1,500,000.—*Ibid.*, pp. 512 f.

[3] *Ibid.*, p. 494.

[4] *Ibid.*, p. 1064.

the capital[1] and the connection of the government with the bank.[2] The power of the bank was also represented as monstrous, "almost irresistible."[3] Calhoun answered with the assertion that it was desirable to have a capital large enough "to prevent undue profit," yet small enough to "prevent a loss to the stockholders," and held that a capital of $35,000,000 met these conditions.[4] The government's connection was considered essential because the bank was to be intimately associated with the finances, was to keep the public deposits and to transfer the public funds, was to pay pensions and to receive the government dues from the collectors. The power of appointing directors was held to be peculiarly fitting, because only so could an upright administration of the bank be assured.[5]

There was a variety of other objections: The state banks found some defenders,[6] but the abuses of these were so gross that their supporters were compelled to adopt an apologetic tone. The constitutional question was hardly touched, everyone seeming to think that if Madison could waive it there was nothing further to be said, while the rights of the states passed almost in silence.

The Federalists struggled in vain. On the 28th of Feb-

1 They wished a reduction to $20,000,000.—SERGEANT, *ibid.*, p. 1066.

2 HOPKINSON, *ibid.*, p. 1099. 3 *Ibid.*, p. 1101, and RANDOLPH, p. 1111.

4 *Ibid.*, pp. 1066, 1067.

5 "The National Bank ought not to be regarded simply as a commercial bank. It will not operate upon the funds of the stockholders alone, but much more upon the funds of the nation. Its conduct, good or bad, will not affect the corporate credit and resources alone, but much more the credit and resources of the Government. In fine, it is not an institution created for the purposes of commerce and profit alone, but much more for the purposes of national policy, as an auxiliary in the exercise of some of the highest powers of the Government. Under such circumstances the public interests cannot be too cautiously guarded, ... The right to inspect the general accounts of the bank may be employed to detect the evils of a mal-administration; but an interior agency in the direction of its affairs will best serve to prevent them."—Dallas to Calhoun, Dec. 24, 1815, *ibid.*, p. 508. This quotation is of interest as throwing light on the conception of the position of the government directors, which was afterward so much disputed under Biddle.

6 HOPKINSON, *ibid.*, p. 1101; FORSYTH, *ibid.*, p. 1143.

ruary it was decided not to reduce the capital;[1] in March, that the government should hold stock in the bank,[2] and that the president and the Senate of the United States should appoint a number of the directors.[3] On the other hand, the power of Congress to order a suspension of specie payments was recalled,[4] as was also the power permitting the president of the United States to name the president of the bank,[5] that allowing the increase of the capital to $50,000,000,[6] and the right of subscription to the capital in treasury notes.[7] So much in the way of concession was granted, and properly granted, but in regard to those details of the bill which the Federalists were pleased to consider vital defects the Republicans would not yield an iota. They were encouraged to stand firm by the dissension which existed in the Federalist ranks. Webster was apparently in irreconcilable opposition, but many members of his party from the middle and southern states, where the evils of the financial situation appealed even to the dullest, refused to follow him, and a keen and galling exchange of criminations and recriminations between these two wings closed the final debate in the House.[8]

On the 14th of March the bill passed by a vote of 80 to 71.[9] It went to the Senate the next day and was debated there on the 25th. Jeremiah Mason, of New Hampshire, and Rufus King, of New York, led the opposition. But the Senate, in those days a body of much speedier action than the House, would not suffer any amendments touching the essentials of the bill, though slight and unimportant changes

[1] *A. of C.*, 14th Cong., 1st Sess., p. 1108. Motion to reduce—vote, 49 to 74.

[2] *Ibid.*, p. 1119. Motion that government should not hold stock—vote, 38 to 61. March 1.

[3] *Ibid.*, p. 1139. Motion against power to appoint—vote 64 to 79. March 5.

[4] *Ibid.*, p. 1158. "By a very large majority." March 7.

[5] *Ibid.*, p. 1152. Vote, 80 to 46. March 6.

[6] *Ibid.*, p. 1109. Feb. 29.

[7] *Ibid.*, p. 1136. March 4.

[8] *Ibid.*, pp. 1339–43.

[9] *Ibid.*, p. 1219.

were made. The Republicans feared that the measure would be lost if anything further was done.[1] The Senate passed the bill on the 3d of April;[2] the House, with little debate, concurred in all the amendments[3] and forwarded it to the president, who signed it on the 10th. Thus, after seven attempts, after more than two years of almost constant endeavor, the bank was established, in its final form resembling the old Bank of the United States and that project which Madison had vetoed a little more than a year before.[4]

[1] *Ibid.*, p. 238. Bibb, of Georgia. [2] *Ibid.*, p. 281. Vote, 22 to 12. [3] *Ibid.*, p. 1344.

[4] Calhoun was the decisive agent in securing the charter: "I might say with truth, that the bank owes as much to me as to any other individual in the country; and I might even add that, had it not been for my efforts, it would not have been chartered."—Calhoun in the Senate, 1834; BENTON, *Thirty Years*, Vol. I, p. 414.

See Appendix I for the charter.

CHAPTER II

THE ADMINISTRATION OF WILLIAM JONES

On the first Monday of July, 1816, the subscriptions to the capital stock began at twenty different places throughout the Union and continued for twenty days. No particular eagerness to secure the stock was shown,[1] and when the returns were made it was found that over $3,000,000 were still unsubscribed. Hereupon Stephen Girard, much to the relief of the president and the secretary of the treasury, subscribed for the entire amount.[2]

Organization immediately followed. It was the general expectation that the bank would be Republican, and the administration hoped to make it so.[3] Accordingly, President Madison named all the government directors from his own party,[4] and both Madison and Dallas strove for the election of a Republican politician as president of the bank. This was William Jones, recently secretary of the navy and secretary *pro tempore* of the treasury.[5] The stockholders, less partisan than the administration, named ten Federalists and ten Republicans.[6] Jones was then elected president, and Jona-

[1] Dallas to Madison, July 7, 1816, DALLAS, *Dallas*, p. 459.

[2] NILES, Vol. XI, p. 16, quoting a Philadelphia paper of Aug. 27. Dallas writing to Madison, same date, says: "The bank subscription is filled. The deficit of the general returns ($3,000,000) was taken by Mr. Girard in a single line, to the great disappointment of the brokers and speculators. I congratulate you upon this event."—DALLAS, *Dallas*, p. 471.

[3] "There is little doubt of the organization of the bank being Republican, and friendly to the government."—Dallas to Madison, Aug. 27, 1816, *ibid.*

[4] They were Wm. Jones, Stephen Girard, and Pierce Butler, of Philadelphia, Jas. A. Buchanan, of Baltimore, and John Jacob Astor, of New York.—NILES, Vol. X, p. 198; Dallas to Madison, July 7, 1816, DALLAS, *Dallas*, p. 459; Madison to Dallas, July 18, 1816, *ibid.*, p. 462.

[5] Dallas to Madison, July 23, 1816, *ibid.*, p. 464; same to same, Aug. 3, p. 466. "I am very glad to learn . . . . that his prospect of being at the head of the institution had become favorable."—Madison to Dallas, Aug. 7, *ibid.*, p. 468.

[6] NILES, Vol. XI, p. 176.

than Smith, of Philadelphia, cashier.[1] By the 7th of December, 1816, directors were appointed for offices at Boston, New York, Baltimore, Charleston, and New Orleans,[2] and by March sixteen cities had been selected as sites for offices in addition to Philadelphia.[3]

The bank's immediate task was to secure the resumption of specie payments. At first the government had believed itself capable of compelling the state banks to resume. As early as March, 1816, Dallas had made to these banks proposals, which were very advantageous to them[4] but were nevertheless promptly declined. The establishment of the bank and the passage of Webster's joint resolution of April 30, 1816, requiring that after the 20th of the succeeding February all payments to the United States should be made either in gold and silver, "or in treasury notes, or in the notes of the Bank of the United States, or in notes of banks payable and paid on demand in specie,"[5] gave the government further hope of making its will effective. Consequently, on the 22d of July, Dallas issued a new circular proposing that the state banks, beginning with October, should resume to the extent of paying specie for all their notes of a smaller denomination than $5.[6] The banks again refused, declaring that they would not resume until July 1, 1817.[7] Dallas despaired, writing to Madison that the success of the state banks in postponing resumption was "not a little to be apprehended."[8] Crawford, who succeeded Dallas in October, made a final attempt, issuing a circular to the banks on

1 *Ibid.*

2 *Ibid.*, pp. 238, 239.

3 Besides those named above, Washington, Richmond, Savannah, Norfolk, Lexington, Ky., Cincinnati, Portsmouth, N. H., Providence, Middletown, Conn., Chillicothe, O., and Pittsburg.

4 DALLAS, *Dallas*, p. 285, March 13, 1815.

5 *A. of C.*, 14th Cong., 1st Sess., Vol. I, pp. 1440, 1919.

6 NILES, Vol. X, p. 376.

7 Aug., 1816, *ibid.*, p. 423, quoting *The National Intelligencer*, stating the action of the banks of New York, Philadelphia, and Baltimore. The other banks took equally discouraging action.—Secretary Dallas's Report, Dec. 3, 1816, *F.*, Vol. III, p. 132.

8 DALLAS, *Dallas*, p. 472, Sept. 6, 1816.

the 20th of December, proposing substantial inducements if they would resume by February 20, 1817.[1] "This advantageous proposition was declined without hesitation."[2] Crawford concluded that the government could not compel the banks to resume by the 20th of February, and therefore remitted the undertaking to the bank.[3]

The situation was extremely critical for both the government and the bank. Without the consent of the state banks the government could not possibly collect its revenues after February 20,[4] because it could not evade the joint resolution; and yet that resolution would be of no effect in securing specie or specie-paying paper. The bank for its part was legally bound to incur considerable risk, since it was necessitated, under penalty of forfeiting its charter, to go into operation by the first Monday in April, 1817.[5] Between this date and July 1 it was quite possible that the state banks would draw from it so much specie as to embarrass the bank and thwart the policy of resumption. It was necessary, therefore, to make substantial concessions to the state banks, if the government's plans were to be carried out.

On the 1st of February, 1817, at the invitation of the Bank of the United States, the representatives of the associated banks of Philadelphia, New York, Baltimore, and Richmond met in convention with its agents and discussed the subject. The result was that on the same day these representatives agreed to recommend to their directorates to resume on the

[1] At this time state banks held over $11,000,000 in public deposits. For Crawford's circular see *F.*, Vol. IV, p. 283.

[2] Crawford to the Senate, Feb. 25, 1823, *ibid.*, p. 266. See answers to the proposition by the state banks, *ibid.*, pp. 974–80, *passim*. Crawford thought this refusal meant that the banks did not intend to resume.—To Jones, Jan. 6, 1817, *ibid.*, p. 496.

[3] Crawford to Jones, Jan. 16, 1817, *ibid.*

[4] "It is manifest that, without the State banks can be brought into an arrangement by which their paper can be received in payment of taxes, there will be no medium upon the 20th of February next in which those dues can be paid."—Crawford to Jones, Jan. 24, 1817, *ibid.*, p. 497; see also *ibid.*, p. 767.

[5] Section 22 of charter, Appendix I.

20th of February in return for the following inducements on the part of the Bank of the United States:

1. Any of these banks indebted to the Bank of the United States might liquidate the indebtedness by checks on other banks, parties to the agreement.

2. The Bank of the United States would be responsible to the government for the public deposits held by the state banks, but the actual transfer of the funds, over $8,800,000, was not to be made until July 1, when the state banks should pay them with interest.

3. Other balances accumulating against the state banks were not to be called for until the Bank of the United States had discounted for individuals ("other than those having duties to pay"), in New York and Philadelphia, $2,000,000 each; in Baltimore, $1,500,000; in Virginia, $500,000.

4. The amount of these discounts not taken by individuals might be taken by the banks of the respective places.

5. The Bank of the United States and the state banks would mutually support each other in any emergency.[1]

The agreement was gladly sanctioned by the secretary of the treasury, since its principal object was to furnish a currency in which to pay taxes. In so far as the state banks were concerned, the articles were also very satisfactory, giving them time to reduce in order to pay public funds whose immediate payment might have ruined them.[2] For the Bank of the United States, however, the articles were not so favorable. They bound it to meet government demands on funds still held by the state banks, and not to collect balances arising in the ordinary course of business until it had loaned $6,000,000 to individuals, not having duties to pay, or to the state banks. This stipulation forced the bank to make large loans, whether it was justified in

[1] Appendix II.

[2] President State Bank of Boston to Crawford, Jan. 25, 1817, *F.*, Vol. IV, p. 982; President City Bank of New York to same, Feb. 19, 1817, *ibid.*, p. 987.

doing so or not, and at the same time estopped it from securing specie from the state banks, while giving to them the power to draw specie from it, since a large amount of its notes would be put in circulation in discounting $6,000,000. The article guaranteeing mutual protection would have precisely the same effect; for, since the Bank of the United States was strong and the state banks weak, the clause simply meant that the national bank should support them. It is obvious, in short, that the entire agreement might prove extremely embarrassing to the bank, no matter how pleasing it was to the treasury and state banks. The bank, however, had secured what the treasury could not—an agreement to resume specie payments on February 20, and this was its one notable service to the country in its first years. The resumption of the banks in the large cities, and the pressure of the treasury and the Bank of the United States, forced the banks of the interior to resume as well; and thus resumption was general.

The most pressing question after resumption was that of the transfer of the government deposits. The arrangement of the 1st of February had fixed the 1st of July as the date on which the transfer should take place from the banks along the Atlantic coast, but it was felt that in the case of the interior banks more leniency was necessary, if numerous failures were not to result.[1] The bank therefore proposed to the state institutions of the interior to be itself responsible to the United States for the public deposits held by them, on condition that they would pay these off on the 1st of August, interest to be charged from the first day of April, 1817. Or the banks might pay in seven monthly instalments, beginning with the month of May, 1817, with interest from April 1.[2] A number of the banks willingly accepted these condi-

[1] Crawford to Jones, March 17, 1817, *F.*, Vol. IV, p. 509.

[2] J. Smith to Committee of western Pennsylvania, Virginia, and eastern Ohio Banks, April 3, 1817, *ibid.*, pp. 788, 789.

tions. Some, however, in the eastern part of Ohio and the western parts of Pennsylvania and Virginia, scornfully rejected them because they did not perceive "that any advantages could result to the banks" of that portion of the Union.[1] A refusal so impudent of what was purely a favor on the part of the Bank of the United States exhibits its difficulties and the boundless claims of these petty institutions.[2]

The success of the bank in the agreement of the 1st of February and in its dealings with most of the banks of the interior was intensely gratifying to Secretary Crawford, who expressed his pleasure to President Jones. At last the government had a common medium in which the people "might discharge their taxes," in which to collect its dues and pay its debts, while the country was in possession of a sound currency.[3] It was now presumed that the course of public finance and of business enterprise would be easy and plain. Yet there was much to show that the bank was still confronted with enormous difficulties. The business situation was not one to beget confidence. The changed conditions resulting from the cessation of the war with Great Britain had led to enormous importations of English goods, to overtrading in all lines, to excessive issues of bank paper, and to a consequent inflation of prices. Conservative management was therefore absolutely necessary.

[1] Jones to Crawford, April 30, 1817, *ibid.*, p. 787; Committee of western Pennsylvania, Virginia, and eastern Ohio Banks to Smith, April 14, 1817, *ibid.*, p. 788. Various arrangements seem to have been made with the western banks. Some of them did not pay interest on the balances until the 1st of July. "The western banks, which have enjoyed an immunity from the payment of interest from the 20th of February to the 1st instant."—Crawford to Chillicothe Bank, July 23, 1817, *ibid.*, p. 544.

[2] Most of the public money was with the banks of the middle states. Slight misunderstandings occurred even with eastern banks, as in the case of the State Bank of Boston, *ibid.*, p. 770, and the Kennebec Bank of Maine, *ibid.*, p. 813.

[3] "The great objects which the supporters of the bank charter expected from that institution have already been realized. The vitiated state of the currency has been restored, the rate of exchange has been equalized in every part of the nation, and the great interests of commerce substantially promoted."— Crawford to Jones, July 3, 1817, *ibid.*, p. 539.

In these circumstances the directorate showed little discretion. It is true the government urged as early a participation in business as possible, sanctioned the agreement of the 1st of February, and itself secured the first of all the bank's loans in December,[1] while, largely for its benefit, individuals were accommodated early in January.[2] In so far the government must share the responsibility with the bank. In March discounts were $9,436,000, while the circulation was $4,565,398.[3] The agreement of February 1 was now in effect, but the figures prove loans far in excess of what was demanded by that agreement. The Bank of the United States had, in fact, started on a career of rapid expansion, urged thereto by the government, and by the briskness of trade and the opportunities for favorable investment. In April, with six branches in operation, its productive funds amounted to $46,879,679, half of which, however, was in government stock. Though the discounts were undoubtedly too extended, the action of the government in July led to a further expansion, for in that month the treasury redeemed over $13,000,000 of the public stock in the possession of the bank.[4] The directors complained bitterly that they were thus forced to grant further discounts, apparently being of the opinion that they were bound to secure large dividends, a most remarkable criterion by which to regulate the business of a bank.[5]

There were several circumstances in the bank's situation at this moment which should have warned all concerned that it was not running a safe course. The amount of specie in its vaults was excessively meager. Yet at no other period

[1] Smith to Crawford, Jan. 4, 1817, *F.*, Vol. IV, p. 764. The sum was $500,000.

[2] Jan. 7, 1817, *ibid.*, Vol. III, p. 307; report of committee of 1819; LOWNDES, *A. of C.*, 15th Cong., 2d Sess., Vol. IV, p. 1298.

[3] *F.*, Vol. III, p. 319.

[4] $13,043,767.13.—Report of the treasurer of the United States, *ibid.*, pp. 228, 229.

[5] In July the bank paid its first semi-annual dividend. The rate was 2.6 per cent.—*Ibid.*, pp. 380, 381.

of its existence was it more bound by the exigencies of the situation — by the over-issues of the state banks, by the inflation of the currency, by the almost total lack of coin outside its own vaults — to keep on hand a large stock of the precious metals. Nevertheless, in April, 1817, the amount was only $1,811,839, while as late as July, after the payment of the third instalment to its capital, it aggregated only the pitiably inadequate sum of $2,129,368. At this moment the bank should have held at least twice the amount.[1] At no time, however, during the first two years of its existence did its specie holdings reach $3,000,000.[2] The location of its loans ought also to have caused suspicion. Although twelve offices were doing business in July, 1817, three-fifths of the loans were made at Philadelphia and Baltimore,[3] and the same state of affairs existed in October, when these two offices discounted over $21,000,000 out of a total of $33,000,000.[4] If the other thirteen offices then in active operation had discounted to anything like this extent, the loans of the bank would have been far in excess of $100,000,000.

Nevertheless, no check was attempted, and the close of its first year apparently left the bank in a very flourishing condition, a semi-annual dividend of 4 per cent. being declared in January, 1818.[5] In March the investments were

[1] Under the charter $7,000,000 of the capital should have been in specie, and at least $4,500,000 should have been in its possession in January, 1817, before beginning active operations.

[2] Specie held (cents omitted):

	1817	1818	1819
January	$1,160,072		$2,184,088
April	1,811,839	$2,357,137	
October	2,129,368		
December	2,271,611	2,666,696	

—*F.*, Vol. III, p. 345.

[3] Total discounts, $25,770,120; discounted at Philadelphia, $10,533,120; at Baltimore, $5,224,041.—*Ibid.*, p. 352. The offices then in operation were those at Philadelphia, New York, Baltimore, Boston, Washington, Richmond, Savannah, Norfolk, New Orleans, Cincinnati, Lexington, and Charleston.

[4] At Philadelphia, $12,686,601; at Baltimore, $8,405,902.—*Ibid.*, p. 353. Offices had been added since July at Portsmouth, N. H.; Providence, R. I.; and Middletown, Conn.

[5] *Ibid.*, p. 382.

still mounting, being then $50,657,683.64, over $41,000,000 of which consisted of loans and exchange. In July the number of active offices was nineteen,[1] and the "total loans" had increased to $52,078,203.58; the circulation to $9,045,-216.35.

At this point, however, the forward movement was checked, the bank's business began to diminish, and it was evident that something was wrong. In November the total accommodations were $44,115,078.59, about $8,000,000 less than in July, while circulation had fallen to $7,286,069.49, almost two millions less than in July. The bank was, in fact, plunged into the most serious embarrassments, and was struggling to save itself. The situation was the result of certain causes which had been steadily at work from the first. Three of these were of prime importance: mismanagement, the state of the currency in 1817–19, and speculation and fraud at Philadelphia and Baltimore.

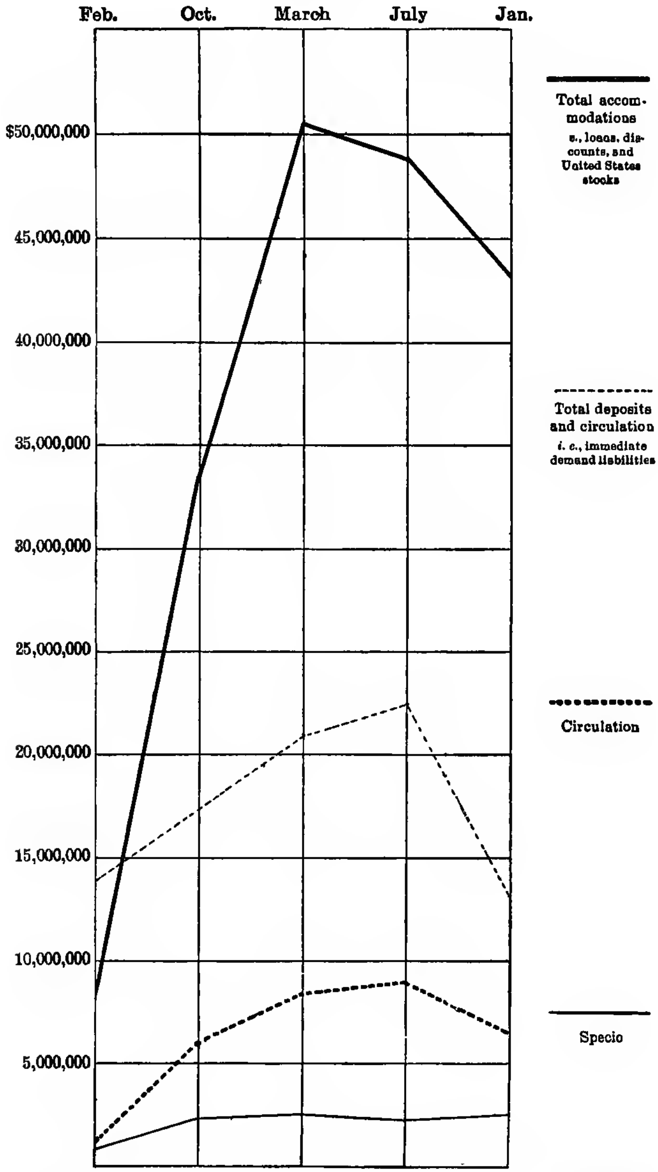
Blind ignorance was probably the chief factor in putting the bank in peril. President Jones's conception of the bank's management was essentially mistaken. Though he rightly regarded the bank and its branches as one system, to be administered as a unit, he did not think it necessary to fix the capitals for the branches and keep them fixed, compelling the offices to settle their accounts periodically and to furnish funds by bills of exchange or transfer of specie when they drew for funds by the issue of bank notes or the selling of drafts.[2] The attempt to manage the institution in accordance

[1] Fayetteville, N. C., Chillicothe, O., Louisville, Ky., and Pittsburg, Pa., had been added.—*F.*, Vol. III, p. 354.

[2] "The Bank of the United States is integral in its organization, but indivisible in its interests. Its offices, although distantly located, have no analogy to institutions established by local authority, and the apparent interest of any particular office must necessarily be subordinate to the general interest."—Jones to the Savannah Branch, Dec. 5, 1817, *ibid.*, p. 335.

"Your board will please observe, sir, that it is no part of the system of the parent board to give a definite capital to the respective offices, to be employed for the benefit of their several districts; but to extend or control their operations, as the exigencies of commerce, the requisitions of the Government, and the general interest

CHART I



OPERATIONS OF THE BANK, FEBRUARY, 1817, TO JANUARY, 1819

with this conception left the bank without a rational plan of operations. There was "a perfect want of system."[1]

It need hardly be added that Jones did not stand alone in his ignorance, the directors both at Philadelphia and at the branches being his peers in this respect. Moreover, the officers and the boards of the southern and western branches were incompetent and disobedient. All were swayed by local interests in making discounts[2] and did not understand the proper rules of safe banking, renewing notes over and over again,[3] loaning on mortgages, inventing "race-horse" bills,[4] and issuing notes and drafts without furnishing the means for their redemption. The losses at the branches resulting from improper management were enormous.[5]

A flagrant example of culpable ignorance or worse was the system of stock loans. The board at Philadelphia discounted on the bank's stock at 25 per cent. in advance of its par value.[6] This was certainly objectionable, and the stock loans were reprehensible for several additional reasons:

of the institution shall from time to time direct."—Jones to Charleston Branch, Feb. 6, 1818, *F.*, Vol. III, p. 335.

1 James C. Fisher to Rufus King, Jan. 11, 1819, *Life and Correspondence of Rufus King*, Vol. VI, p. 150.

2 "We have too many branches, and the directors are frequently governed by individual and local interests and feelings."—Cheves to Crawford, May 27, 1819, CHEVES, *Exposition*, Oct., 1822, p. 73.

3 "It was proven that this note had been sent to the office at Chillicothe, to renew a note which had been five or six times previously renewed by the same parties."—11 WHEATON, 433. See a similar case of a note renewed "every 60 days" from Dec., 1817, to Feb. 1, 1820, 1 PETERS, 615.

4 That is, the payment of one bill of exchange by the purchase of a new one. Thus a bill sent from New Orleans to Nashville for collection would not be collected; but instead the Nashville office would allow the debtor to draw a new bill on another office. The bills kept running to and fro without being paid, and hence were called "racers" or "race-horse" bills.

5 "A different management of several offices would in the business of *each* have saved and gained more than would have paid five thousand dollars per year to each president of the branches. Nay there is no calculating the actual loss and the loss of gain the bank has sustained by the want of competent and confidential men at the head of the branches."—Cheves to Crawford, May 27, 1819, *Exposition*, p. 73.

6 It was necessary, however, to have collateral security for the excess of 25 per cent.—*F.*, Vol. III, pp. 341, 342.

They were frequently renewed,[1] and renewed by the president and cashier without the intervention of the board, the directors not only granting this power, but placing the sum of $2,000,000 at the disposal of the executive officers for the purpose of making new stock loans.[2] The granting of such loans tied up the capital of the bank and placed it in peril in case of a fall in the price of the stock. Finally, the discounts thus made were most commonly to speculators and brokers,[3] and were frequently excessive in amount, loans being made to individuals for sums of $365,000, $400,000, and $1,800,000.[4]

The western and southern offices were suffered to extend their discounts at pleasure, since under Jones's "system" their capitals were not fixed, and they traded without any limit in that respect. This was bad enough; but worse followed, for every restriction on their operations was removed by the adoption of a plan to regulate the currency, commendable in itself, but impossible of execution in the existing state of business. This was the attempt to pay the notes of all the branches wherever presented. The object was to establish a currency of uniform value — a currency which would not be depreciated, no matter how far it wandered from its place of issue, because convertible wherever the bank had a branch. For a time this result was secured. Unfortunately a depreciated state-bank currency, universal over-trading, and the course of exchange did not permit this laudable measure to be successfully continued. The state of

1 Out of stock loans for $8,046,932.64 at least $5,231,267.60 was constantly renewed. —*Ibid.*, p. 337.

2 Sums of $500,000 were voted at various times for this purpose, from Aug. 12 to Sept. 9, 1817.—*Ibid.*, p. 346. The loans on bank stock ran from $9,913,277 in Oct., 1817, to $10,335,211.46 in Oct., 1818, when the resolutions were rescinded. For authority to president and cashier to loan, see *ibid.*, p. 341.

3 TYLER, *A. of C.*, 15th Cong., 2d Sess., Vol. IV, p. 1311.

4 TYLER, *ibid.*, p. 1316. Lowndes, a consistent friend of the bank, condemned these large loans: "the discounts, with a pledge of stock, were, many of them, ... excessive in amount."—*Ibid.*, p. 1292.

lidated

the currency and the business of the country determined that the course of exchange should be almost constantly in favor of the East and North, and against the West and South.[1] Under these circumstances the notes of the southern and western branches would not be returned upon them. Hence they could issue their paper without check. This they did,[2] and consequently piled up enormous loans. The Cincinnati branch discounted over $1,800,000 in June, 1818; that at Lexington, Ky., $1,619,000 in the same month, and $1,712,-000 in November of that year. These cases will serve to illustrate what was going on at every western branch of the bank.[3] The discounts at Boston and New York were scarcely larger than those at one of these comparatively insignificant western towns. Like extravagance characterized the dealings of the southern offices. But their notes had to be redeemed somewhere, namely, at the eastern offices, to which the course of exchange carried them. The result was that the business of the eastern offices was almost destroyed, discounts being low and the issues very inconsiderable. They were denuded of the little specie left by speculators

[1] "The exchanges between the West and the Atlantic are always against the former, ... The exchanges between the North and the South run for one portion of the year against the latter, and for another in its favor."—Report of Bank Committee, Dec. 7, 1820, *F.*, Vol. III, p. 589.

[2] See Report, Aug. 26, 1818, *ibid.*, p. 325. Lowndes said, Feb. 20, 1819: "It was no unfair account of the practical operation of the system of which he was speaking [of paying the bank notes indiscriminately] to say, that it gave to the branches, where the exchange was unfavorable, the entire disposition of the specie of those branches where the exchange was favorable."—*A. of C.*, 15th Cong., 2d Sess., Vol. II, p. 1288. "The bills of the corporation, instead of circulating as currency, are converted into a medium of equal exchange, payable at sight, in any of the Eastern cities."—Report of Bank Committee, Aug. 26, 1818, *F.*, Vol. III, p. 325.

[3] Discount and exchange (cents omitted):

	Cincinnati	Lexington	Chillicothe	Louisville
	1817	1817		
July	$ 713,415	$ 947,924		
October	1,052,615	1,084,148		
	1818	1818		
June	$1,836,620	$1,619,969	$565,054	$ 938,552
November	1,867,383	1,712,023	632,256	1,229,520

—Monthly Statements of the Bank, *F.*, Vol. IV, pp. 351-9.

and state banks,[1] and finally the capital of the bank shifted to the South and West, and could not be recovered.

The consequences of mismanagement were such that, when at last, in July, 1818, the central board awoke to a consciousness of the situation, confusion had become so great that they were absolutely unable to check the offices. No attention was paid by the southern and western branches to the reiterated demands that they should diminish their business. In spite of this disobedience, the parent board "never removed one of the offending directors, and took no effectual step to control them, until the adoption of the general resolutions of August 28, 1818."[2]

Up to July, 1818, the bank permitted the state banks to over-trade and to inflate the currency by the extension of the loans of the branches.[3] Yet, even had the bank managed its own offices with foresight and according to correct principles, it could not have effected the principal purposes for which it was established, in the southern and western states, because it lacked courage to insist upon the payment of debts due to it from the state banks. These had always large balances against them at the Bank of the United States, constituting loans without interest to these amounts.[4] Not being called on for balances, they continually inflated their issues and expanded their discounts.[5] Moreover, a

[1] To the end of December, 1818, Boston received in specie $1,622,800; New York, $6,293,392.—*F.*, Vol. III, p. 331. Yet the capital of these offices "united was, at some periods, less than nothing."—Memorial, Bank of the United States, Dec. 7, 1820, *ibid.*, p. 589.

[2] "And such was the want of firmness or of foresight in the parent board, that, after finding its repeated remonstrances disregarded, it never removed one of the offending directors, and took no effectual step to control them, until the adoption of the general resolutions of August 28, 1818, forbidding the offices to draw on each other."—Report of Investigating Committee, 1819, *ibid.*, p. 308.

[3] *Ibid.*, p. 307.

[4] 1817, July, $2,424,900; Oct., $2,518,669; 1818, March, $1,203,874; July, $2,463 1819, Jan., $2,624,797; July, $2,908,160.—*S. D.* 128, 25th Cong., 2d Sess., p. 308.

[5] In 1818 "silver could hardly have been more plentiful at Jerusalem in the days of Solomon, than paper money was in Ohio, Kentucky, and the adjoining regions."—GOUGE (Cobbett's edition), p. 90.

leniency was shown the state banks which was not extended to the national one.[1] So many influential people were interested in the former as stockholders that it was not advisable to give offense by demanding payment in specie, and borrowers were anxious to keep the banks in the humor to lend.[2] Thus the Bank of the United States, even when it attempted to press its claims, found insuperable obstacles to collecting in coin.[3] Hence the state banks enjoyed a virtual immunity from the payment of the vast majority of their notes. In striking contrast to this favor shown the state banks was the attitude toward the national bank. Banks, brokers, and traders made a business of extracting coin from its vaults,[4] an operation facilitated by its faulty management in permitting excessive discounts. Brokers and bankers constantly bought up its notes and presented them for redemption, drew specie, sold it at an advance, bought bank notes, presented them, drew specie, sold it, and so on *ad infinitum.*[5]

It will consequently be perceived that the bank could neither keep the little specie it began with nor draw any

[1] The bank was aware that, "as it was professedly a specie bank, liable, under a penalty of 12 per cent. per annum to pay its notes on demand, the same delicacy and forbearance would not be extended towards it as to the state banks."—RAGUET, "A Treatise on Currency and Banking," p. 304, *Report to Pennsylvania Senate*, Jan. 29, 1820.

[2] CRAWFORD, Report to H. R., Feb. 12, 1820, *F.*, Vol. III, p. 496. See also Crawford to Eppes, Dec. 29, 1818, *ibid.*, pp. 394, 395. The city banks were "sensible that their power over the community was so great, that few individuals would have the boldness to make large demands upon them for coin."—RAGUET, "On Banking," pp. 302, 303, *Report to Pennsylvania Senate*, Jan. 29, 1820.

[3] "The banks, our debtors, plead inability, require unreasonable indulgence, or treat our reiterated claims and expostulations with settled indifference."—Jones to Crawford, May 29, 1818, *F.*, Vol. IV, p. 845.

[4] "The fact is, that the bills of the bank are sought after with avidity by banks, brokers, and India traders, in order to draw the specie, which they find it impracticable to procure elsewhere but in a partial degree and with great difficulty."—Jones to Crawford, June 23, 1818, *ibid.*, p. 854.

[5] So laudable was it considered to aid state banks against the national bank that even government collectors occasionally used their powers for this purpose —Letter from Savannah to cashier of the Bank of the United States, quoted by Cheves to Crawford, July 12, 1819, *ibid.*, p. 890; and cashier at Cincinnati to cashier of United States bank, *ibid.*

from the state banks.[1] It was, therefore, compelled to import specie, if it wished to continue paying specie. To this foolish task it gave itself with something like enthusiasm — foolish because the bank bought at an advance in Europe and sold at a loss in the United States. This was bailing water with a sieve.

The censure due to mismanagement can be measured only by taking into account the state of the currency during the early days of the bank. When it began operations, specie was at an advance of 14 per cent. in Boston and New York, and of 6 per cent. in the West.[2] This premium should have ceased on the 20th of February, and, if resumption had been complete, it should have ceased everywhere. In May, however, Niles declared that, "though our banks ostensibly pay specie, it is almost as rare as it was some months ago to see a dollar. 'Paper does the business' still."[3] In July the prices of bank paper show greater variation than in February.[4] In October Spanish silver dollars were at a premium of $1\frac{1}{2}$ per cent. in New York city, and Niles declared that, though the Bank of the United States had helped the exchanges, Baltimore was still "inundated with paper called bank notes, at almost every depreciated rate from $\frac{1}{2}$ to 75 per cent."[5] On the 25th of the same month, President Jones asserted that the paper of the banks "of the interior of Pennsylvania" had "as little of the quality

[1] "The facts which have been stated prove that the Bank of the United States has no domestic resource by which to replenish its vaults with specie."—Jones to Crawford, May 29, 1818, *F.*, Vol. IV, p. 845.

[2] *Ibid.*, Vol. III, p. 334, Exhibit 20.

[3] NILES, Vol. XII, p. 185, May 17, 1817.

[4] In New York city Boston notes were at ½ per cent. and 1 per cent. discount; Baltimore, ½ per cent.; Virginia, 1 and 1½ per cent.; North Carolina, 3 per cent.; South Carolina, 1½ per cent.; Georgia, 2 per cent.; Louisiana, 8 per cent.; New England, 1 to 2 per cent.—*Ibid.*, p. 347, July 19, 1817.

[5] New Hampshire, 1½ to 2 per cent. discount; Massachusetts, par to 2 per cent.; Connecticut, par to 1 per cent.; Rhode Island, 1 to 3 per cent.; New York, par to 75 per cent.; Pennsylvania, incorporated, par to 12 per cent.; unincorporated, 15 to 25 per cent.; Delaware, 2 to 10 per cent.; Maryland, Baltimore, par; others, 4 to 20 per cent. (in Baltimore itself others were 2 to 5 per cent. discount); District of Columbia,

of money or credit at this time as it had twelve months ago."[1] In March, 1818, Spanish dollars bore a premium of from 4 to 4½ per cent. in New York and Boston.[2] In October specie was at 6½ to 7 per cent. advance in Boston, and 7 per cent. in New York.[3] By this time the commercial panic had fairly started, and all through 1819 bank notes went from bad to worse. In 1820 Crawford came forward with the honest confession that in "several of the States the great mass of the circulation is not even ostensibly convertible into specie at the will of the holder," and that, during "the greater part of the time" since specie resumption, "the convertibility of bank notes into specie has been rather nominal than real in the largest portion of the Union."[4] There are two conclusions: first, while many of the banks actually paid specie for their notes, the specie was more valuable than the notes; secondly, most of the banks only pretended to pay specie.

Yet by the very conditions of its existence the Bank of the United States was compelled to act as if specie resumption was complete: it had to pay specie for its notes under penalty, if it refused, of forfeiting 12 per cent. on the amount demanded; and to fail in restoring specie payments was to lose the very reason for its existence. Under these circumstances the bank should have kept its dealings as restricted as possible, for, unless it did this, it could not enforce restric-

Bank of, par; others 2 per cent.; Virginia, chartered banks, par; unchartered, 15 to 25 per cent.; North Carolina, State Bank, 1⅓ to 2 per cent.; Newbern and Cape Fear, 3 to 4 per cent.; South Carolina, 1 per cent.; Georgia, 2 per cent.; Kentucky, 4 to 7 per cent.; Tennessee, 7 per cent.; Ohio, 8 to 25 per cent.; Louisiana, 5 to 10 per cent.; specie, 1 to 1¼ per cent. premium in New York.—NILES, Vol. XIII, p. 97, Oct. 11, 1817.

1 Jones to Crawford, *F.*, Vol. IV, p. 820. 2 Same to same, March 9, *ibid.*, p. 832.

3 NILES, Vol. XV, p. 125, Oct. 17, 1818.

4 *F.*, Vol., III, p. 496, Report, Feb. 24, 1820. RAGUET, p. 303, Report to Pennsylvania Senate, Feb. 29, 1820, says: "Specie payments were accordingly *nominally* resumed on the appointed day. We say *nominally*, because in point of fact, a *bona fide* resumption did not take place as is evident from the well-known circumstance, that for a long time after that period, *American* as well as foreign *coins* would command on the spot a price in city bank notes above their nominal value."

tion upon the state banks, and without such restriction no effective resumption was possible. The over-issues of the banks would drive specie out of the country and compel suspension.

To mismanagement and the wretched state of the currency were added speculation and fraud. When the bank was established the country was passing through a period of reckless inflation and speculation, in which gambling in bank stocks was one of the most marked features. Banks were being chartered all through the states, and from 1815 to 1818 there was a perfect mania for them. "Wherever there is a 'church, a blacksmith's shop and a tavern' seems a proper site for one of them!" says Niles.[1] This passion for stock speculation was unusually violent in Philadelphia and Baltimore, and at these places the opportunity for speculating in stock of the Bank of the United States was seized at once. At Baltimore 40,141 shares were taken in the names of 15,628 persons, while at Philadelphia twice the amount was subscribed for by 3,566 persons.[2] Most of these shares, however, were actually bought by a few individuals, who placed them in the names of others in order that they might increase the number of their votes and thus control the bank.[3] In this way some fifteen persons in Baltimore held about three-fourths of the stock there, and probably three-fourths of all the bank's stock were in possession of less than one hun-

1 NILES, Vol. XI, p. 130.

2

	Number of Shares	Names in which Taken	Votes Authorized	Number of Shares Taken by Attorney
Boston - - - -	24,023	364	4,355	8,615
New York - - - -	20,012	2,641	6,450	12,044
Philadelphia - -	88,520	3,566	19,260	37,330
Baltimore - - -	40,141	15,628	22,187	36,230

Baltimore thus subscribed for about one-seventh the stock, and had one-fourth the total number of votes. Philadelphia had nearly one-third of the stock, two-ninths of the votes.—*F.*, Vol. III, p. 349.

3 George Williams, of Baltimore, took 1,172 shares in 1,172 names.—*Ibid.*, p. 372. By the charter no stockholder could cast over thirty votes, no matter how much stock he held.—Sec. 11, Art. 1. See Appendix I.

dred persons.[1] The consequences of these tactics was that a clique of Philadelphia and Baltimore stock-jobbers controlled the bank as soon as it was organized, Baltimore alone supplying within 115 of a majority of all the voters present at the first election for directors.[2] This little band of gamblers attempted, with only too much success, to direct the bank's business so as to manipulate the price of the stock in the open market.[3] The men who took the principal part in this action were directors of the bank, notably James Buchanan, George Williams, and Dennis Smith, of Baltimore, assisted by the complicity or incapacity of the president of the bank and the cashiers at Philadelphia and Baltimore. Jones's contemporaries considered him a man of integrity,[4] but it is painfully evident that he was absolutely powerless to check the schemes of the gamblers and totally blind to his duty in the premises. He was so weak as to permit Buchanan, Smith, and Williams to make him a present of some $18,000 profits on a speculation in the stock.[5] In addition he himself

1 The snbscribers at Baltimore were "225 or 230 all told," about fifteen controlling three-fourths of the stock.—NILES, Vol. XIV, p. 35, March 14. 1818.

2 *Ibid.*, p. 22, March 7, 1818.

3 The price of stock during the early days of the bank will show with what success: April 1, 1817, 118 on a 100; May 12, 125; May 28, 130; June 9, 131; July 10, 140.5; Sept. 1, 137; Sept. 30, 151; Oct. 16, 150.59; Nov. 4, 150; Dec. 1, 154; Jan. 1, 1818, 146; March 11, 145; April 15, 142; May 4, 137; June 1, 141; July 1, 136; Aug. 8, 127.25; Sept. 24, 128; Oct. 24, 114. After this it went steadily down, until in June, 1819, it was as low as 92.5.—See "Exhibit of Losses at Baltimore," *Conspiracy Cases*, pp. 97-9.

4 But "he had so completely involved himself in tha policy of the Baltimoreans, so completely was he taken in their toils, that he obeyed no other impulse."—Crawford to Gallatin, July 24, 1819, ADAMS, *Gallatin's Writings*, Vol. II, p. 113; see also SERGEANT, *A. of C.*, 15th Cong., 2d Sess., Vol. IV, p. 1384.

5 One thonsand shares were purchased for Jones without his knowledge in May, 1817, at $132 a share. Somewhat later he was informed of this, and the stock was transferred to him in July at the price originally paid, though stock was than selling at $140.50. The next month he sold it to D. A. Williams, one of those who had first bought it for him, at $150 a share. Had there been any loss, "the company" of stock-jobbers had resolved that Jones should not share it. The whole transaction was purely speculative, no stock being transferred from beginning to end.—Jones's testimony before Investigating Committee of 1819, *F.*, Vol. III, p. 364; Williams's testimony, *ibid.*, p. 372; Smith's testimony, *ibid.*, p. 374; McCulloch's testimony, *ibid.*, p. 376; Jones's Memorial to the House, Feb. 5, 1819, *ibid.*, p. 413.

bought and sold to a considerable extent.[1] Most of the board were as culpable as Jones, not over four of the number consistently opposing the measures to inflate the price of the stock.[2]

The attempt to inflate stock values was evident in almost all the acts of the directors. Of this character was the resolution of the board to discount on the security of the bank's stock in order to furnish stockholders with facilities to pay the second instalment.[3] By this action the specie part of the instalment was for the most part left unpaid, the bank receiving instead its own notes, or notes of the state banks. "Thus," wrote King indignantly, "tho' the Law says a sum in specie double the first payment shall be made at the second period or Instalment, the Directors feel no scruple with a dispensation, which will prove so seriously mischievous in the early resumption of Cash Payments."[4] Another measure whose prime motive was to enhance the price of the stock was the resolution of the 26th of August, giving stockholders the privilege of discounting on their stock at an advance of 25 per cent. on the par value thereof, the directors naïvely alleging, as a defense for their action, that it was necessary "to extend the discounts of the bank, ... in order

[1] He dealt in 1,575 shares from Oct. 7, 1817, to Aug., 1818 (not counting the above 1,000) at prices ranging from $139 to $153 a share—in all over $200,000 worth of stock. —*Ibid.*, p. 364.

[2] J. C. Fisher to Rufus King, Jan. 25, 1819, *Life and Correspondence of Rufus King*, Vol. VI, p. 197.

[3] Resolutions of 18th and 27th of Dec., 1816, *F.*, Vol. III, pp. 335, 336. It is true, however, that, resolution or no resolution, the bank would have secured very little specie for the second instalment, for, as specie was then at a heavy premium, it would have been profitable for the stockholder to refuse payment and forfeit the first dividend. Moreover, since the bank was already in operation, its own notes could be presented for specie with which to pay the instalment, as could also the notes of specie-paying state banks.—Jones to Crawford, Nov. 11, 1818, *ibid.*, p. 288. It was recognized, when the charter was granted, that this method of paying instalments after the first would be adopted (MASON'S remarks, *A. of C.*, 14th Cong., 1st Sess., Vol. I, p. 236), and, indeed, every bank chartered in that day began operations in precisely the same way.—CALHOUN, Jan. 7, 1817, *A. of C.*, 14th Cong., 2d Sess., p. 431. Nevertheless, the directors were culpable in so far as they gave facilities for evading the requirements of the law.

[4] *Life and Correspondence of Rufus King*, Vol. VI, pp. 38, 39.

to afford a reasonable dividend to the stockholders."[1] This was undoubtedly a laudable ambition, and just as undoubtedly the highest price the stock ever bore followed immediately upon the resolution.[2] A third measure designed to meet the same purpose was that creating a market for the stock in England by the establishment of an office in London to pay the dividends of foreign holders "at the par of exchange, at the risk and expense of the bank." The committee which recommended this measure did so on the ground of the "advantage to be derived by enhancing the value" of the stock.[3] These efforts were only too successful, and for some time the stock commanded a premium of from 50 to 56 per cent. in the market, an advance for which there was absolutely no justification.

The principal scene of mismanagement and fraud was the office at Baltimore, of which James A. Buchanan was president and James W. McCulloch cashier. Baltimore at this time was the center of airy speculation and of all sorts of characterless and illegitimate business.[4] The great mercantile firm of Smith and Buchanan was the leading one in the city, and for twenty-five years had formed and controlled the "moral, political, and commercial character" of Baltimore.[5] Remembering this, one may easily imagine that it boded little good to the bank to have Buchanan at the head of the branch. McCulloch, the cashier, was a penniless clerk of the house.[6]

It has already been pointed out that the Baltimore stockholders almost controlled the bank by the scheme of buying names in which the stock could be held. The next step of

[1] *F.*, Vol. III, pp. 341, 342.

[2] Philadelphia, Aug. 30, 156.50; Baltimore, Sept. 7, 155; New York, Sept. 2, 155. Later in September the prices fluctuated between 148 and 153.—*Ibid.*, p. 347.

[3] For resolution, *ibid.*, p. 343, Nov. 28, 1816. The vote was 11 to 10. Report of committee, *ibid.*, p. 342, Nov. 26. See also letter of John Donnell, *ibid.*, p. 343.

[4] J. Q. ADAMS, *Memoirs*, Vol. IV, p. 383.

[5] *Ibid.* Smith was United States senator from Maryland. Buchanan managed all the business of the firm. He was one of the first government directors.

[6] *Ibid.*, Vol. IV, p. 382. See also 2 WHEATON, 61.

the interested parties was to form a company to deal in the stock. Smith and Buchanan, Cashier McCulloch, and George Williams, all of Baltimore, composed this company.[1] This little band of speculators had one prime object in view: to manipulate the price of the stock in order to make fortunes. As means to attain this end, they had possession of the Baltimore office and unusual influence at Philadelphia, where Williams and Buchanan were directors.

The methods employed by the general management to inflate the price of the stock have been already related. At Baltimore the business of the branch was swollen to an enormous extent with the same object in view. In the first two years the Baltimore discounts ranged from five to twelve and a half millions; the drafts on other offices, particularly those in the North, were frequent and excessive. Specie was always limited in amount, and once in 1818 fell as low as $26,714. The debt to the bank and branches was astounding, being for the most of the time over $8,000,000.[2]

[1] George Williams, in his testimony before the committee of the House, stated that "he was concerned in a company who purchased largely; Smith & Buchanan, and Mr. McCulloch, of Baltimore, together with himself, composed the company."—*F.*, Vol. III, p. 372. Williams was the man who took 1,172 shares of the stock in the names of 1,172 persons in order that he might exert a great influence in the election of directors.—*Ibid.* The company also purchased 1,000 shares in 1,000 names for the same purpose.—*Ibid.*, p. 376, McCulloch's testimony.

[2] Business done at Baltimore (cents omitted):

1817	Discounts	On Bank Stock	Exchange	Issues	Owing Branches	Balance Due by State Banks	Deposits	Specie
July	5,182,031	....	42,000	418,470	3,309,420	322,220	448,766	219,794
October	7,923,739	2,743,283	482,162	532,340	7,232,072	228,039	421,019	90,057
1818								
July	9,289,349	3,358,349	5,264	....	8,363,630	210,938	584,376	95,634
November	7,359,577	2,420,235	5,264	....	8,571,554	84,438	....	26,714

—*Ibid.*, pp. 327, 351–7.

Drafts drawn on Bank of the United States and branches from April, 1817, to Nov., 1818:

On Philadelphia	$3,684,157
On Boston -	1,072,008
On New York	1,831,514
On all others	1,294,000
Total	$7,881,679

—*Ibid.*, p. 328.

The issues were not very extended, but that was not the fault of the Baltimore managers, Cashier McCulloch complaining that the office had "never had a sufficient supply of its own notes."—*Ibid.*, p. 377.

While working to increase the price of the stock, the manipulators bought still larger quantities. In April and June, 1817, Buchanan and McCulloch purchased 19,940 shares in different lots from D. A. Smith at 19, 20, and 36 per cent. advance, and in December 12,000 shares at 155.[1] The total was 31,900 shares, for which they paid $4,451,376. How much more extensive their dealings were cannot be determined, but they held 15,490 additional shares in March, 1819,[2] making the sum of their purchases at least $6,397,626.

Purchases so extensive demanded considerable ready money, and this Buchanan's business could not furnish. The plan adopted, therefore, was to borrow it from the bank, which had agreed to accept bank stock at an advance of 25 per cent. above par as security for loans.[3] Buchanan and McCulloch consequently borrowed the money to buy more stock on a pledge of the stock they already held. At the bank in Philadelphia they borrowed $1,957,700 in this way. At Baltimore they procured $1,629,436.12,[4] but here, though the loans were presumably secured by stock, there were actually only 2,558 shares in the office to cover the entire debt.[5] At an advance of 25 per cent. these shares secured only $329,750 out of this total of over $1,600,000. The conspirators loaned themselves the remainder without giving any security whatever. As the cashier was the keeper of all stock pledged, none of the directors could know that no stock was given in by them. That they might draw these sums from the office without security, and without the knowledge of the board of directors, Buchanan and McCulloch declared to

[1] Testimony of D. A. Smith, March 28, 1823, *Conspiracy Cases*, p. 137.

[2] *Ibid.*, pp. 91, 92, Paper X.

[3] Aug. 26, 1817. "It is expedient that the loans on the stock of the bank be extended to the rate of $125 a share, upon notes to that amount, *with two approved names*."—*Ibid.*, p. 26.

[4] For the debt at Philadelphia see *ibid.*, p. 91, Paper X; for that at Baltimore, pp. 77–83, a list of loans upon stock at the office at Baltimore, March 8, 1819.

[5] *Ibid.*, pp. 91, 92, Paper X.

the Baltimore board that the making of stock loans was executive business, and that they had authority from Philadelphia to make such loans without the consent of the board.[1] At other times, to conceal their designs from outside parties, they claimed that they had this authority from the Baltimore board. These declarations were absolutely false.[2] Nevertheless the Baltimore directors acquiesced, and their acquiescence shows reprehensible slackness and almost criminal neglect.

At this point active fraud begins, for it was only after the president and cashier had arrogated to themselves this power that their debts assumed the vast proportions already noted. On the 11th of August, 1817, the discounts on bank stock were only $314,850.[3] On the 12th, however, immediately after the usurpation of authority by Buchanan and McCulloch, the sum rose to $857,350, the result of the discount of a note for Smith and Buchanan,[4] and by the 11th of September Buchanan, with the aid of his accomplice, McCulloch, had loaned himself $798,301.77 on stock security.[5] McCulloch borrowed $574,001.03[6] in the same manner, though he was absolutely without means, and George Williams secured $169,833.34,[7] the total amount owed by the three together on bank stock securities being $1,542,136.14.[8] These notes, moreover, were constantly renewed,

[1] "R. L. Colt was next examined. He proved . . . . That after some time early in August, 1817, he thinks the 10th or 11th, no stock notes, to the best of his recollection and belief, were ever submitted to the Board, for discount or renewal; until some time in January, 1819, when an order of the Parent Board was received, forbidding them to be made without the consent of the Directors: And that on making enquiry at the Board, on the subject of such loans, he was told by both James A. Buchanan and Jas. W. M'Culloh, the President and Cashier, that it was executive business, with which he, as a Director, had no concern."—*Conspiracy Cases*, p. 48. Also testimony of A. B. Bankson, p. 46; John White, p. 46; Jas. Beatty, p. 47; George Hoffmann, p. 48; John Hoffmann, John McKim, Jr., Jos. W. Patterson, p. 49; Wm. Gilmore, p. 50; Thos. Finley, p. 119.

[2] *Ibid.*, pp. 23, 24, by-laws of the bank; testimony of Baltimore directors, pp. 119, 129, 130.

[3] *Ibid.*, p. 139. [4] *Ibid.*, p. 29. [5] *Ibid.*, pp. 29–32.

[6] For details, *ibid.*, pp. 33–7. [7] *Ibid.*, pp. 37, 38.

[8] *Ibid.*, pp. 40, 41. This differs slightly from the figures already given, because there were several stock loans made to them which were not counted as being for the

without the payment of interest, and without the knowledge or consent of the board;[1] nor did their loans cease when the parties were absolutely certain that they were ruined.[2] Thus on January 11, 1819, the stock was at 107,[3] and the loss of the stock company by this decline in price, counting in brokerage, commission, and other incidental charges, was $1,444,074. Yet they renewed their notes and added to them.[4]

Though Buchanan and McCulloch had evaded the supervision of the local board by usurping the power to make stock loans, yet the loans had to be entered on the books of the bank, and thus the chances of discovery were enhanced to such a degree that continued concealment seemed impossible, since the directors had the right, and it was their duty, to examine the books. Yet these immense stock loans were recorded and caused no comment.[5] Obviously the directors neglected their plain duty, though it must be remembered that many of them believed that they had no authority to inquire into the business of loaning on stock. Moreover, there was at first glance little ground for suspicion, since the loans were entered on the books merely as loans on stock, without any mention of what the stock was, how much it was, or in what manner secured.[6]

use of the company. Stock loans did not comprise the whole of their debt. They secured loans on personal security for small amounts. Each overdrew his account, and in several other ways added minor sums to the great mass of the debt. The whole amounted to $497,723.40 (*ibid.*), which, added to the sum already given, made a total of $1,982,098.66.

[1] *Conspiracy Cases*, pp. 29-39.

[2] *Ibid.*, pp. 68-71, 77-83.

[3] See Colt's statement, *ibid.*, p. 98.

[4] Harper's argument, *ibid.*, pp. 193, 194.

[5] "They [the books] no doubt disclosed the fact, that such notes, to such amounts, of such dates, payable at such periods, and drawn and endorsed by such persons, had been discounted for the Traversers, as stock notes."—*Idem*, *ibid.*, p. 178.

[6] "They [the books] were wholly silent on all these heads. This is fully and undeniably proved, by the present Cashier and the Clerks, and by the books themselves now lying before me, and open as they have been for a fortnight, day by day, to the inspection of the Traversers and their counsel. They simply speak of the notes as stock notes; but make no mention whatever of the stock pledged ; its nature, its

To evade the vigilance of the Baltimore directors was a trifling task; to evade that of the central board was none at all. Jones, said Crawford, was completely in the possession of the Baltimoreans, and there can be no doubt that Cashier Smith was quite as much so. But when the panic fell, in the autumn of 1818, this state of affairs could no longer continue. On the 20th of October a call was sent out from Philadelphia, asking for lists of the stock loans at all the branches.[1] There were three points included in this call, on each of which full information was required: (*a*) a separate list of notes discounted on stock security was to be forwarded to Philadelphia; (*b*) with the names of the drawers and indorsers; (*c*) and a description of the stock pledged. Discovery stared the unhappy wretches in the face, and for a moment they seemed to abandon all hope. On the 26th of October McCulloch wrote to the officers at Philadelphia, saying that the information desired would soon be forwarded.[2] It seems that he then carried to Philadelphia a list of the stock loans, which he intended to present to the board, and which would have revealed at once in all its nakedness the fraud which had been practiced. Cashier Smith, however, dissuaded him from doing this.[3] He then returned to Baltimore, and on the 9th of November sent a second letter to Philadelphia,[4] which was intended to pave the way for a falsification of the records of the Baltimore branch. Loans,

amount, or the manner in which the pledge was secured. All these matters were within the sole cognizance of the Traversers, Buchanan and M'Culloh, as President and Cashier; and to the latter exclusively belonged the custody of the Stock itself. All this is undeniable."—*Idem*. See testimony of John White, *ibid.*, p. 47.

[1] *Ibid.*, p. 27.

[2] "I have directed the list of discounts granted here upon the pledge of stock and personal security, to be made up, and as soon as it can be conveniently furnished; it shall be forwarded to you."—*Ibid.*, p. 58.

[3] Testimony of D. A. Smith, *ibid.*, pp. 62, 63.

[4] "I am preparing a list of borrowers upon stock at this office, ... the delay in furnishing this list correctly, arises from a necessity to examine these loans for some time back, as entries have been sometimes debited to loans on stock, which should have been to bills on personal security, and vice versa."—McCulloch to Smith, *ibid.*

he asserted, had been mistakenly entered as loans on stock instead of as loans on personal security.[1] McCulloch followed up his letter by rectifying the presumably false entries. This he did by transferring to the account of notes on personal security $852,683.64 from the stock list, and of course diminishing that list by this amount.[2] With this substitution Buchanan and McCulloch were able to show enough stock to secure $645,400, and the stock list thus manufactured on the 14th of November showed precisely that amount as owed by them.[3]

For the time the speculators were saved, but not for long. In January President Jones resigned, and steps were immediately taken to correct abuses everywhere, and especially at Baltimore. On January 22, 1819, an order was issued from the bank at Philadelphia forbidding any discount or renewal of any discount on the security of stock without the consent of the board of directors.[4] This put an end to any further manipulation of the funds of the Baltimore office by the president and cashier. On the 1st of February another

[1] "The court will recollect that the books have been produced and inspected: That they have laid on the table three weeks, open to the Traversers and their Counsel: .... and that no attempt has been made on the part of the Traversers, to point out any such errors as this entry and the letter of November 9th import, nor indeed any intimation that such errors exist. On the contrary it fully appears, by the inspection of the books themselves, as well as by the testimony of the clerks and the present Cashier, that no such errors exist. Thus it is established, and indeed admitted, that the entry is absolutely false."—Harper's Argument, *Conspiracy Cases*, p. 212. For the evidence see pp. 67-73, testimony of clerk and the genuine stock list of Nov. 13.

[2] "Mr. Rutter then proved, that on the 14th of November, 1818, James W. M'Culloh wrote and handed to him, an entry in relation to loans on stock, with directions to enter it in the day book of that day, which he accordingly did; from whence it was posted into the ledger on the same day, and made part of the stock account of that day."—*Ibid*, p. 64.

[3] See the list, *ibid.*, pp. 60-62. The sums given are as follows: Smith & Buchanan, $97,875 and $137,500; George Williams, $221,875 and $188,150; total, $645,400. Whether it was ever presented to the directors at Philadelphia is doubtful, but probable, since a letter of precisely the same date mentions that a stock list has been forwarded. See two letters of this date. — *Ibid.*, pp. 58, 59. Both are from McCulloch. In one he says. "I send you herein a statement of the existing loans made at this office, upon pledged stock and personal security."

[4] *Ibid.*, p. 27.

resolution prohibited any further new loans on stock.[1] On the 19th of February came an order directed to Baltimore demanding a specific account of the loans at the office made on stock security.[2] Concealment could be continued but a little longer.[3] Before the 16th of March the gentlemen had confessed that they could not pay their debts, and about the same time they handed in a paper to the directors at Philadelphia purporting to show precisely how their affairs stood.[4]

In addition to these acts of the speculators as a body, each of them kept his account continually overdrawn, even after they knew that they were ruined and that exposure must be at hand.[5] The mismanagement of the branch was flagrant in this respect, for when McCulloch was removed the sums overdrawn footed up $200,759.60.[6] Nor was this all, for the cashier seems to have made loans without the knowledge of anyone else, and to have kept no record of the sums. The amount so loaned was over $84,000.[7] Finally, the first teller, J. S. LaReintrie, was found to be a defaulter, to the extent of $50,000.[8]

Thus, by arrogating to themselves the sole right to discount loans on pledges of stock, by indorsing for each other, by lying to the local board of directors, by false entries in the books of the branch, by false reports to the bank at

[1] *Ibid.*, p. 28.

[2] *Ibid.*

[3] They, however, attempted further deception by handing in another fraudulent stock list and another fraudulent personal security list on March 8. The false stock list of March 8 gives the debts of the parties on stock security as follows: Smith & Buchanan, $97,875 and $137,500; Williams, $221,875 and $188,150; total, $645,400. McCulloch was credited with a loan on stock of $3,400, but this was no part of the so-called stock loan. The true list of the same date showed them debtors for the following sums: McCulloch, $592,201.01; Smith & Buchanan, $870,801.77; Williams, $169,833 34; total (omitting $3,400 on McCulloch's private account), $1,629,436,12.—*Ibid.*, pp. 77–83. The false discount list, pp. 84, 85.

[4] *Ibid.*, pp. 91, 92, Paper X.

[5] "An Exhibit of Losses Sustained," etc., *ibid.*, p. 12.

[6] Of this sum Buchanan was debtor for $39,916.24, McCulloch for $28,944.54, and Williams for $13,339.12.—*Ibid.*

[7] *Ibid.*, p. 11.

[8] *Ibid.*, p. 12.

Philadelphia, the speculation was kept going. But it was impossible that it should continue when once the panic of 1818–19 swept over the country. When the crash came, the parties to this shameless fraud failed to pay $1,401,-685.32 of their debts.[1]

[1] Smith & Buchanan's debts unsecured	$344,212.43
J. W. McCulloch's debts	429,049.80
Geo. Williams's debts	628,423.09
	$1,401,685.32

—"Exhibition of Losses," *Conspiracy Cases*, pp. 21-4.

CHAPTER III

THE ATTEMPT TO SAVE THE BANK UNDER JONES

WHEN the conviction that the bank was in straits finally took possession of the directory at Philadelphia, strenuous efforts were made to rescue it. These began July 20, 1818, when it was resolved to curtail $5,000,000 in discounts at Philadelphia, Baltimore, Richmond, and Norfolk. In addition, the Washington office was instructed to call for the payment of balances due by the other banks in the District, and the Cincinnati office to collect the balances due from the Cincinnati banks at the rate of 20 per cent. a month.[1] The reduction was to be mainly in the South. In the North and East, outside of Philadelphia, none was expected.[2] At this moment the immediate demand liabilities of the bank were $22,372,000, the specie fund to meet them $2,357,000.

It was soon evident that these measures would not be effective in putting a period to the most serious drain upon the bank's resources, namely, the drafts of the southern and western offices. Consequently, on the 28th of August

[1] (1) "That the reduction of the discounts at this bank, and its offices at Baltimore, Richmond and Norfolk, be forthwith commenced, and continued at the average rate of at least twelve and a half per cent. on the amount of the income on each discount day." Philadelphia, $2,000,000; Baltimore, $2,000,000; Richmond, $700,000; Norfolk, $300,000.

(2) "That the president be required to demand of the Bank of Columbia, ... a satisfactory assurance that the large balance which is now and has long been due from that bank to this institution be discharged, ... so that the whole shall be liquidated by the 15th day of October next; . . . .

(3) "That the cashier of the office at Washington city be directed to demand payment of the balances which may be due to that office by the other banks of the District of Columbia, ...

(4) "That the cashier of the office at Cincinnati be directed to demand the reduction of the balances which may be due by the State banks in that place, at the rate of at least 20 per cent. per month, until the whole shall be extinguished."—*F.*, Vol. III, p. 387.

[2] CHEVES, p. 14; NILES, Vol. XXIII, p. 90.

a second series of resolutions was adopted forbidding the offices to receive any notes but their own, except in payments to the United States, prohibiting the further sale of drafts at par, and restricting the purchase of bills of domestic exchange.[1] If these orders were faithfully executed, the bank would be relieved of its most formidable difficulties.

In October it was found that the attempt to curtail had not been as successful as desired, though a material reduction had been attained.[2] The branches in the South failed to reduce to the amount assigned by $1,077,500. A committee of the bank reporting October 30, 1818, therefore advised that these offices be required to complete the reduction, and that $1,500,000 more in discounts should be curtailed: $100,000 at Middletown, Conn., $400,000 at Richmond, and $1,000,000 at Baltimore. Once more the bulk of the reduction was to fall upon the South, and particularly upon Baltimore, which had already been called upon for a reduction of $2,000,000 and had failed to make that reduction by $763,000. In addition, the orders of the 30th of October prohibited the offices from drawing on each other; called upon the southern and western branches for $700,000 in specie; authorized President Jones to arrange for the importation of $1,500,000 more; forbade the offices' taking the notes of any banks which did not redeem them in specie on demand; and insisted that no further credits be given to the Cincinnati banks until the balances already due were discharged.[3] Nothing could proclaim louder the distress of the bank than this report. Nor, if it were obeyed, could anything

[1] *F.*, Vol. III, pp. 325, 326.

[2] In discounts the reduction was $4,252,441.17; foreign exchange had been diminished $302,472.10, and funded debt had been sold to the amount of $2,005,376.48.

[3] (1) "That the President be authorized and requested to order the additional sum of one million and a half of dollars, in French coin, to be shipped on account of the bank.

(2) "That the branches which have not reduced their discounts, as required by the resolution of the 20th of July last, be required to complete said reductions.

(3) "That in addition . . . . the following offices be required to reduce their

be more effective, since it would not only directly reduce discounts, but indirectly, by the prohibition of selling drafts, go far toward putting a stop to all the southern and western business. On the other hand, it spelled ruin for thousands, and, had the bank been strong, would have been the most damning evidence of a total incapacity to handle a monetary stringency as it should be handled. What the country had a right to expect at such a time from a bank holding the position held by the Bank of the United States was an extension of credit, the granting at a fair rate of all legitimate demands for loans.

The measures seemed to be effective. In March, 1819, total loans had fallen to $40,640,236.65, a reduction of over $3,900,000 since October, almost entirely in discounts. The whole reduction from July 20, when the contraction began, was $7,505,760.55. The discounts had been especially aimed at, the particular effort being to reduce them by $7,000,000, and the difference in this item in the eight months of contraction was $6,530,159.49. The circulation

discounts at the average rate of twelve and a half per cent. each discount day." (Names of offices and sums follow.)

(4) (An order to Charleston to hold specie ready for Savannah, and to ship $150,000 to Philadelphia.)

(5) "That the offices reciprocally refrain from drawing on each other, or upon this bank, until further orders."

(6) (Cashier to draw for specie.)

" Richmond, in specie or bills at sight on this city, New York or Boston	$ 50,000
Lexington, in specie	100,000
Louisville, in specie	100,000
Cincinnati, in specia	50,000
Pittsburg, in specie	50,000
Chillicothe, in specie	100,000
Fayetteville, in specie	100,000
Total	$550,000"

(7) (Only notes paid on demand in specie, to be received everywhere. Not to credit as cash notes of banks which shall be indebted to the bank after demand for payment has been made.)

(8) "That when the banks at Cincinnati shall have made arrangements with the cashier of this bank for the payment of their respective debts, the cashier of the office at Cincinnati may receive the notes of any such bank as cash, provided the said bank shall thereafter pay its notes in specie on demand."—*Ibid.*, pp. 388, 389.

fell away at a proportionate rate, the reduction being $2,500,000 from July, 1818, to January, 1819. To secure this decrease in circulation the most stringent measures had been adopted, culminating in the order of August 28, which forbade the offices to take any notes but their own, even on deposit.[1]

In appearance, therefore, the bank had done what it wished to do, but actually it had done nothing of the sort. The attempt had been directed against the southern and western branches, and here it was almost absolutely futile. In fact, the western offices, instead of diminishing, increased their loans to the extent of $500,000.[2] Moreover, loans in the West frequently changed their form only: the branches ceased to discount, but increased their purchases of bills of exchange, in most cases as a species of renewal of notes or bills drawn on them,[3] and frequently this change resulted in transforming an interest-paying debt into a non-interest-paying one.[4] In addition, the southern and western offices could not be "restrained from issuing their notes, which they did most profusely."[5]

The curtailment, therefore, fell almost entirely upon the offices in the East, where curtailment was not desirable. Philadelphia alone reduced to the extent of $3,600,000,[6] or

[1] "Sir: I am directed to inform you that notes of this bank which are made payable at its several offices of discount and deposite will not be received at this bank after this day, except in payment of debts due the United States. Such notes, however, of the offices as your bank may have received during this day, will be received in exchange to-morrow morning."—J. Smith, cashier, circular to city banks; issued to the offices also, *F.*, Vol. III, p. 367. The office at Boston had ceased receiving southern branch notes in March (Gray to Jones, March 19, 1818, *ibid.*, pp. 324, 325), and the offices in Savannah, New Orleans, and Charleston had never taken any but their own notes.—Report of committee of August 26, 1818, *ibid.*, p. 325.

[2] CHEVES, p. 15; NILES, Vol. XXIII, p. 90.

[3] *Ibid.* These were the so-called race-horse bills, which ran from office to office without being paid.

[4] "The curtailments in many instances resulted merely in a change of debts bearing interest for debts due by local banks, or the notes of local banks, on neither of which was interest received."—*Ibid.*

[5] *Ibid.*

[6] CHEVES, p. 14, and NILES, *ibid.*

over half the entire reduction in discounts; Boston and New York, which were not required to reduce, were forced to follow the example of Philadelphia, the discounts at Boston in April, 1819, being only $94,584.37.[1] In like manner it was the eastern offices which reduced circulation, the notes of the western banks having to be redeemed in the East.[2] The result was that the bank was actually worse off than when it began the reduction, because the offices which needed strengthening became weaker, while the branches of the South and West could not be checked. After "these immense and rapid curtailments," says Cheves, "the most sensible and vital points (Philadelphia, New York and Boston) were infinitely in worse condition than when the remedy was devised."[3] The business of the eastern offices was almost destroyed. On the 19th of March, 1818, the Boston office had ceased receiving southern branch notes. It had made no discounts worth mentioning for many weeks, its whole time and capital being employed in the redemption of southern branch paper.[4] The office at New York suffered in the same manner. Both branches were depleted of their specie, though large quantities of the precious metals were sent to them.[5] At times their capital was "less than nothing."[6] The general condition of the northern branches corresponded to that of the offices at Boston and New York. The entire capital of the institution was rapidly being shifted to the South and West. Out of the total capital stock of $35,000,000 the office at Baltimore held $5,646,000 in May, 1819;

[1] CHEVES, p. 15, and NILES, *ibid.*

[2] From Sept. 1, 1818, to May 24, 1819, $5,700,000 in southern and western notes had been received at the eastern offices, "nearly all . . . . at Philadelphia, New York, and Boston."—Cheves to Crawford, May 24, 1819, *F.*, Vol. IV, p. 881.

[3] CHEVES, pp. 14, 15; also NILES, Vol. XXIII, p. 90.

[4] Letter of President Gray to Jones, March 19, 1818, *F.*, Vol, III, p. 324.

[5] *Ibid.*, p. 331. Amount furnished office at New York from May, 1817, to Dec., 1818, $6,293,392.01; to office at Boston from Jan., 1817, to Dec., 1818, $1,622,800.09.

[6] Memorial of the bank directors, Dec. 7, 1820, *ibid.*, p. 589.

Richmond, $1,760,000; Savannah, $1,420,000, and Charleston, $1,935,000, while the offices in the West were in an equally prosperous condition, controlling a capital enormously out of proportion to their legitimate needs. Lexington had $1,502,000, Louisville $1,129,000, and Cincinnati $2,400,000, while New York had a capital of $245,000, and Boston had none whatever.[1]

From what has already been stated of the manner in which the specie of the bank was drained from it by the state banks and speculators, it will easily be conjectured that the frantic attempts to secure specie would be of little avail. During the eight months of contraction the bank could procure after the most strenuous efforts only $2,617,440.63, while from the beginning of its existence to the 5th of December, 1818, it imported $6,500,458.42. After that date no more could be secured. To get this specie over half a million dollars was expended,[2] and this half million represented only the direct cost of buying and importing. Cheves declared that a debt of $1,586,345.47 owed by the bank in 1818 grew "principally if not entirely" out of its specie operations.[3] The only result of any consequence, therefore, was to diminish the bank's resources by over

[1] Capital of the bank, showing the effect of the note issues and drafts of South and West, May, 1819:

Portsmouth	$ 117,678.70	Savannah	$1,420,543.45
Providence	335,208.54	New Orleans	1,664,596.47
Middletown	255,985.11	Lexington	1,502,388.44
New York	245,287.81	Cincinnati	2,400,987.30
Baltimore	5,646,325.28	Louisville	1,129,009.00
Washington	555,737.97	Chillicothe	649,858.83
Richmond	1,760,562.88	Pittsburg	769,031.36
Norfolk	861,764.16	Philadelphia	13,418,742.96
Fayetteville	677,963.81	Deduct due to Boston	372,825.79
Charleston	1,935,042.35		$13,045,917.17
Total			$34,973,828.63

The capital given for Philadelphia was merely nominal.—*F.*, Vol. III, p. 593; CHEVES, p. 34, Appendix II.

[2] *F.*, Vol. III, pp. 338, 339. Cost $525,297.35.

[3] *Exposition*, p. 15; also NILES, Vol. XXIII, p. 90.

$2,000,000. The sale of public stock was an operation of a similar nature. Specie purchases and the sale of United States stock ended by reducing "the productive capital of the Bank, within the period of eight months," by "eight millions of dollars and upwards."[1] The efforts to secure balances due from the state banks were perhaps more hopeless still. In the West these banks when called upon remonstrated, and when pressed were forced to declare their insolvency. State banks had nothing with which to pay, and hopes of relief from them were vain from the beginning.

Such were the efforts of Jones and his coadjutors to secure the bank, and such were the results. After a reduction of about $7,000,000, the offices in the North and East were almost prostrated; the specie funds there had vanished; its debts abroad had been increased enormously; its immediate demand liabilities were in excess of $13,168,000, its means of meeting them only $2,666,000; the capital had been shifted to the South and West, and was tied up there in notes and bills constantly renewed; debts could not be collected; the orders of the central board could not be enforced upon the branches; and at Baltimore a gang of thieves was looting the office and striving with might and main to bring about a suspension of specie payments. The final blow was given when the government demanded $2,000,000 of its deposits in specie in order to make a payment in redemption of the Louisiana purchase stock.[2] For a moment the bank trembled on the verge of insolvency: "the Directors . . . . did not know what answer to give—" but finally made an arrangement whereby they furnished bills on London in lieu of the specie, a substitution "which saved the Bank."[3] But no one conversant with its situation

[1] CHEVES, p. 16, and NILES, *ibid.* [2] Redeemable Oct. 21, 1818.

[3] James C. Fisher to Rufus King, Jan. 30, 1819, *Life and Correspondence of Rufus King*, Vol. VI, p. 201.

expected that it would be able much longer to weather the storm.

The stringency of 1818 at once brought down the popular wrath upon the bank, and popular feeling was soon felt and reflected in Congress. On the 25th of November, 1818, John C. Spencer, a representative from New York, introduced resolutions demanding investigation by a committee of the House.[1] After a brief but spirited debate, these were adopted on the 30th,[2] and the committee was appointed with Spencer as its chairman.[3] The committee investigated laboriously, collected a vast amount of formless material, and on the 16th of January, 1819, reported, censuring the managers of the bank for mismanagement, speculation, and violations of the charter. These violations consisted in buying $2,000,000 of the public stock for the government of the United States, in assisting the stockholders to evade payment of the coin and funded-debt part of the second instalment, in paying dividends to stockholders who had not paid up their subscriptions, and in allowing stockholders to cast more than thirty votes in the first and second elections for directors.[4]

Despite the really flagrant mismanagement and fraud at the bank, and despite the amount of this which was revealed by the committee, the report was exceedingly weak, being constructed hastily and imperfectly, contradictory in its charges, and in places incomprehensible. The author of it had too feeble a grasp on the complicated questions before him, and consequently failed to make the most of his advantages. He felt called upon, indeed, to apologize for the report, admitting inaccuracy and confusion.[5] The

[1] *A. of C.*, 15th Cong., 2d Sess., Vol. III, p. 317. [2] *Ibid.*, p. 335. [4] *Ibid.*, p. 552.

[3] J. C. Spencer, New York; William Lowndes, South Carolina; John Tyler, Virginia; Burwell Bassett, Virginia; Louis McLane, Delaware, constituted the committee.—*Ibid.*, pp. 335, 340.

[5] "Mr. S. proceeded to make explanations of some expressions in the report. The remark, that 'the principal business of the bank certainly has been to discount

minority of the committee, the only members of it who possessed anything like an adequate knowledge of banking and currency questions, clearly demonstrated that the charges of charter violation were of slight moment. Thus in the purchase of government stock the bank had acted as agent for the government, and consequently had committed no breach of the charter.[1] The failure in respect to compelling the payment in specie and funded debt for the second instalment was regrettable, but it was not a violation of the charter, was probably inevitable, and had been condoned by Congress in advance.[2] The payment of dividends to delinquent stockholders was for trifling amounts, and made by subordinate officers of the bank without the knowledge or consent of the central board.[3] The bank had no control of the judges of election who had permitted the casting of more than the legal number of votes, and there was no method specified in the charter by which these judges could hinder such violation.[4] In explaining the mismanagement of the bank's affairs its supporters were not so successful, but they forcibly argued that these acts were the result of ignorance, or of a difference of opinion with regard to cor-

on notes secured by a pledge of stock,' was liable to misconstruction. The expression used does not convey the meaning of the committee; it was either an inadvertence in the draught, or an error in copying; . . . . and it was intended to confine the remark to the business of the bank at Philadelphia, ... With regard to the expression, in the close of the report, that, 'whatever differences of opinion can exist among them (the committee) as to the result and inferences to be drawn from the facts stated, they unanimously concur in giving to the preceding statements of facts, and abstracts of documents their sanction.' Mr. S. observed that he thought the expression sufficiently precise, but he understood it was liable to a misconstruction. When inferences were mingled with facts, the unanimous sanction did not extend to these inferences; but that, in all cases wherever a fact was definitely stated, the committee meant to sanction it. Mr. S. remarked, that the report had been prepared at a time of severe indisposition, and when the committee had been fatigued and almost exhausted with labor, and he should not be surprised if many erroneous expressions were found in it."—*Ibid.*, Vol. IV, p. 1241.

[1] LOWNDES, pp. 1305, 1306; MCLANE, pp. 1339, 1340.

[2] *Ibid.*, LOWNDES, pp. 1306, 1307; MCLANE, pp. 1340–43; SERGEANT, pp. 1389–91.

[3] *Ibid.*, LOWNDES, pp. 1308, 1309; SERGEANT, p. 1391. The sum was only $1,460.

[4] *Ibid.*, pp. 1344, 1345, 1391, 1392. See the summary of all these arguments in the pamphlet by AEGLES.

rect policy, and consequently did not establish criminality. Indeed, criminality was not charged, the Baltimore frauds being unknown until later. Under the circumstances it was urged that the policy to be pursued should be that of correcting abuses, not the destruction of the ignorant and innocent offender.

So complete was the victory of the bank's advocates in Congress that neither house could be persuaded to take any step except that of passing an act additional to the charter by which in the future it would be impossible for stockholders to cast more votes than they were entitled to cast.[1] The House rejected, by large majorities, motions to sue out a *scire facias* and to repeal the charter, besides a number of others contemplating less stringent measures.[2] The Senate did nothing until January, 1820, when it decidedly repelled resolutions to compel the bank to secure the consent of the states for the establishment of branches and to expose its accounts with private individuals.[3]

The investigation of 1819 had its results, however: the stock of the bank immediately fell below par;[4] President Jones, entirely discredited, fled in affright from the bank, and on the 25th of January, 1819, James C. Fisher became president *pro tempore*, until a man could be found to save the wreck.[5]

Fortunate would it have been for the Bank of the United States had it been compelled to undergo no more serious punishment, but the consequences of mismanagement and crime were to be severely felt for the rest of its existence, not only in the depletion of its capital, but even more

[1] *A. of C.*, 15th Cong., 2d Sess., Vol. IV, p. 2522.

[2] *Ibid.*, p. 1409. Only 28 ayes for the *scire facias*. See for measures proposed *ibid.*, Vol. III, pp. 922, 923; Vol. IV, pp. 1411–16.

[3] *Ibid.*, 16th Cong., 1st Sess., Vol. I, pp. 58–68. Vote, 24 to 12, Jan. 4, 1820.

[4] To 93 at Philadelphia; 97 at New York.—NILES, Vol. XV, p. 401.

[5] *F.*, Vol. IV, p. 868, and NILES, Vol. XV, p. 417.

seriously in the hatred and hostility of the people. The almost universal conception of the situation in 1818–19 is summarized by Gouge in a single sentence: "The Bank was saved and the people were ruined."[1] The evidence of this conviction is apparent in Niles, who breathed nothing but threatenings and slaughter against all banks, but especially against the Bank of the United States, upon which he directed the whole weight of his clumsy artillery, declaring that it had degenerated into a machine for the shaving of notes and the oppression of the middle classes, and that it had caused the panic. Its curtailments had, indeed, precipitated the panic, for which, however, it was hardly more responsible than was Noah for the flood. The popular bitterness was infinitely increased by the restrictive orders which compelled the payment of debts precisely when it was most difficult to pay them, the climax of dissatisfaction being reached on August 28, 1818, when the bank issued its order to the offices to cease receiving each other's notes. The measure was one for which the country was quite unprepared, and occasioned suffering and embarrassment. Notes of distant branches were current only at a discount, and Niles complains bitterly of the inconveniences imposed upon individuals, testifying to his own, when, with "more than one hundred dollars in small notes of the Bank of the United States" in his pocket, he "could not pay the *postage* of a few letters."[2]

The keenest distress fell upon the West. In that section there never existed the slightest justification for the preposterously large loans of the bank, and, as the state banks had been equally generous, the inflation and over-trading were unparalleled. Worse yet, much of the indebtedness had been created by loans to farmers, who had no security to

[1] Cobbett's edition of 1833, p. 71.

[2] NILES, Vol. XV, p. 61, Sept. 19, 1818. The notes depreciated slightly, about ¾ of 1 per cent.—LOWNDES, *A. of C.*, 15th Cong., 2d Sess., Vol. IV, p. 1301.

offer excepting mortgages on real estate, absurdly overvalued, and absolutely unsalable during a commercial crisis. A moment's reflection should have convinced anyone that these new and insignificant towns of the West could not possibly pay debts as vast as those contracted in New York and Boston, and should never have been permitted to borrow such enormous sums. Of course, the money had been mostly expended on permanent improvements, and could not be repaid on demand. The borrowers never expected to pay when the notes came due, the usual custom being to renew over and over again.

When, therefore, on the 20th of July, 1818, the parent board demanded the collection of the balances from the Cincinnati banks at the rate of 20 per cent. every month,[1] the inhabitants of Ohio were extremely indignant, and complained of the action as being diabolically oppressive. The orders of July were aggravated by the prohibition of the receipt of the branch notes of other offices. The Cincinnati banks could not pay,[2] and, so far from discharging their indebtedness, owed more in October than they had owed in July.[3] Nevertheless they had striven to reduce their debt, and as a consequence had inflicted great distress upon their debtors, who were absolutely unable to pay, having neither specie nor bank notes with which to pay. The Cincinnati banks protested, therefore, against the acts of the Bank of the United States as a "grievance unprecedented."[4] The bank, however, could not and would not yield, and, instead of offering more favorable terms, prohibited the receipt of the notes of these banks.[5] This act precipitated a

[1] *F.*, Vol. III, p. 326, par. 8.

[2] Cincinnati committee to Bank of United States, Aug. 20, 1818.—*F.*, Vol. IV, pp. 859, 860.

[3] The sum was $721,006.12.—Jones to Crawford, *ibid.*, p. 859. See also NILES, Vol. XV, p. 59.

[4] Protest of the Cincinnati banks, *F.*, Vol. IV, p. 860.

[5] Resolution of Oct. 16, 1818, *ibid.*, pp. 861, 862.

disaster, the three Cincinnati banks stopping payments in November.[1]

To detail the events in regard to the other western states would be merely to repeat, without essential variations, the story of the Ohio banks. The Bank of the United States pressed for the payment of its dues. The local banks could not collect their own debts, and consequently could not pay. They suspended, and ruin fell upon thousands. In Kentucky the Bank of the State ceased specie payments November 20.[2] By January, 1819, the remainder of the Kentucky banks had suspended, and their notes were at a discount of from 20 to 30 per cent.[3] Most of the banks of western Pennsylvania had ceased payment by December, 1818.[4] Since the initiatory impulse came from the Bank of the United States, everyone held that institution responsible.

In the South there were difficulties of like nature. In South Carolina there was constantly a balance of from $500,000 to $800,000 due by the state banks to the Bank of the United States.[5] The bank called upon the banks of Charleston to pay $130,535.50, whereupon there was intense excitement, and the exasperated local banks threatened to get a state law passed hostile to the Bank of the United States, and also to suspend specie payments. They complained that the "monster" was iniquitously draining the South of its specie.[6] The same conditions existed in North Carolina, where the balances against the State Bank were also large.[7] As early as March, 1818, a hint was given that payment of balances would be agreeable, though no demand was made.[8] The State Bank offered to pay in notes of other offices of the

[1] *Ibid.*, p. 864.

[2] Though compelled to partial resumption immediately afterward and continuing until Jan. 1, 1820.—NILES, Vol. XV, p. 283; GOUGE (Cobbett's edition), p. 90.

[3] NILES, Vol. XV, p. 385.

[4] *Ibid.*, p. 283.

[5] Jones to Spencer, Dec. 23, 1818, *F.*, Vol. III, p. 323; letter from Charleston to Jones, Dec. 4, 1818, *ibid.*

[6] *Ibid.*

[7] Jones to Crawford, May 29, 1818, *F.*, Vol. IV, pp. 844–7.

[8] Grove of branch bank to Polk, of State Bank, March 14, 1818, *ibid.*, p. 848.

Bank of the United States, in notes of other banks, or in drafts upon other banks in places where the bank had offices,[1] but the proposition was brusquely refused, to the extreme embarrassment of the State Bank, which repeated the angry charges that the bank was attempting the ruin of the people by deliberately and wickedly trying to draw away the specie of the state.[2]

Under these circumstances the hatred and enmity of states and state banks to the Bank of the United States mounted higher and higher. From the first these had been keen and persistent. Thus the earliest constitution of Indiana, adopted in 1816, had prohibited the establishment of the branch of any bank chartered outside the state.[3] In February, 1817, Maryland laid a tax of $15,000 per annum upon the office at Baltimore;[4] in November Tennessee followed this example with a tax of $50,000 upon any bank settled in that state under any but a state charter,[5] and in December Georgia imposed an annual "tax of thirty-one and a fourth cents on every hundred dollars of bank stock operated upon or employed within" the state, a resolution of the legislature in November, 1818, declaring that this tax "was only intended to apply" to branches of the Bank of the United States.[6] When the panic began, the indignation of the people found vent in further acts of the same character. The first constitution of Illinois, framed in August, 1818, prohibited the existence of any but state banks within the state.[7] In December North Carolina laid an annual tax of

1 Polk to Grove, March 11, 1818, *F.*, Vol. IV, p. 848.

2 Grove to Polk, March 14, 1818, *ibid.*, and March 19, p. 849.

3 POORE, *Charters and Constitutions*, Vol. I, p. 509, Art. 10.

4 *Laws of Maryland*, 1817, chap. 156, p. 174.

5 *Laws of Tennessee*, Scott's edition, Vol. II, pp. 389 ff.; *Laws of 1817*, chap. 132, sec. 2, Nov. 22, 1817.

6 For statute see LAMAR, *Laws of Georgia* (1810–19), pp. 889–91; for resolution, *ibid.*, p. 1206.

7 POORE, Vol. I, 447, Art. 8, sec. 21.

$5,000 upon the branch at Fayetteville;[1] in January, 1819, Kentucky imposed the largest tax of all, compelling each of the branches to pay $60,000 yearly,[2] and the next month Ohio rivaled Kentucky by enacting that the tax in that state should be $50,000 upon each branch.[3] Even in Pennsylvania, the supposed stronghold of the bank, the legislature warmly discussed the policy of a tax,[4] and in 1819 petitioned Congress to take steps to amend the constitution so as to confine national banks to the District of Columbia.[5] The subject was also debated in the legislatures of Virginia[6] and South Carolina,[7] and DeWitt Clinton, of New York, urged action upon the legislature of that state.[8] It was only the decisions of the Supreme Court in the cases of McCulloch *vs.* Maryland and Osborn *vs.* the Bank of the United States which saved the bank. Had it lost either of these cases, there can be no doubt that it would soon have been taxed out of existence in all of the southern and western states.

More immediately disastrous were the losses suffered in 1817–18. These were so enormous that the bank was crippled in its dealings for six or seven years. In 1822 its suspended debt was in excess of $10,000,000, that amount of its capital being tied up in unavailable assets, while the actual loss was calculated in October of that year as $3,743,899.[9]

1 NILES, Vol. XV, p. 367.

2 SLAUGHTER, *Acts of Kentucky*, p. 637, chap. 343, Jan. 28, 1819.

3 CHASE, *Statutes of Ohio*, Vol. II, pp. 1072 ff., chap. 459, Feb. 8, 1819.

4 NILES, Vol. XIV, p. 64.

5 *A. of C.*, 16th Cong., 1st Sess., Vol. I, p. 70.

6 NILES, Vol. XIV, p. 23, note.

7 NILES, Vol. XV, pp. 289, 290.

8 GOUGE (Cobbett's edition), p. 59.

9 Expected loss in 1822:

SUSPENDED DEBT

Personal and other than stock securities	$6,401,255.90
Loans on stock securities	4,017,050.76
	$10,418,306.66

of which it is calculated that $3,743,899 will be a loss.—Report of Committee of Stockholders, Oct. 1, 1822, CHEVES, p. 4, and NILES, Vol. XXIII, p. 88.

The profits of the first two years had been $1,100,000, so that in this period the management netted a loss of $2,600,000.[1]

The principal loss was at Baltimore, the amount being over $1,600,000. The four western offices came next. Cheves declared in 1824 that from 10 to 15 per cent of the capital loaned there had been lost,[2] and on the 1st of April, 1819, the sum due and unpaid at these offices was $6,351,120.80, which was reduced by less than $1,000,000 on August 30,1822.[3] In the South the offices most offending after Baltimore were Norfolk and Charleston, but there were considerable losses in addition at Washington and Savannah. The final loss in the South was $2,234,138.61, while in the West it was only $552,576.78.[4] The explanation of this small loss in the West is to be found in the appreciation of western real estate which the bank had been forced to accept

[1] For the profits see report of stockholders, Nov. 5, 1819, NILES, Vol. XVII, p. 165.

[2] *F.*, Vol. V, p. 96.

[3] "On the 1st of April 1819, the sum due to the Bank in Ohio and Kentucky, including balances due by local banks, was 6,351,120 dollars, 80 cents; on the 30th of August 1822, the sum due, including also real estate taken in payment, was 5,389,477 dollars, eighteen cents, being a reduction of 961,653 dollars sixty-two cents."—CHEVES, p. 27, and NILES, Vol. XXIII, p. 94.

[4] Sums lost to Aug. 30, 1822:

Philadelphia	$ 177,057.02
Portsmouth	3,708.33
Boston	2,807.48
Hartford	6,299.02
New York	29,939.79
Baltimore	1,696,643.09
Washington	70,794.85
Richmond	38,057.20
Norfolk	191,082.66
Fayetteville	21,481.88
Charleston	100,428.13
Savannah	78,041.29
New Orleans	37,609.51
Louisville	205,446.83
Lexington	165,846.64
Cincinnati	94,156.17
Chillicothe	28,579.45
Pittsburg	58,547.69
Total	$3,005,527.03

—*H. R.*, 460, 22d Cong., 1st Sess., p. 244.

in liquidation of its debts in 1818–19. This property had been taken at a low figure, but its value increased with surprising rapidity, largely owing to the phenomenal growth of Cincinnati. Had it not been for this enormous and unexpected increase in values, the bank's total losses in the West would hardly have been less than $2,000,000. As a consequence of the transfer of real estate the bank owned a large part of Cincinnati: hotels, coffee-houses, warehouses, stores, stables, iron foundries, residences, vacant lots; besides over 50,000 acres of good farm land in Ohio and Kentucky.[1] Its possession of this vast property maddened the former owners, now impoverished by a recklessness which they would not acknowledge, believing instead that the bank was responsible, as if it had taken possession by violence. Moreover, the situation gave to the politicians an opportunity too tempting to be neglected, and by a slight effort of the imagination one can almost hear the reverberations of "Old Bullion" Benton's voice startling the drowsy Senate as he thunders: "I know towns, yea, cities, ... where this bank already appears as an engrossing proprietor."[2] "All the flourishing cities of the West are mortgaged to this money power. They may be devoured by it at any moment. They are in the jaws of the monster! A lump of butter in the mouth of a dog! one gulp, one swallow, and all is gone!"[3]

[1] *S. D.*, 98, 22d Cong., 1st Sess., pp. 22–36.

[2] *Thirty Years*, Vol. I. p. 198.

[3] *C. D.*, Vol. VIII, Part I, p. 1003.

CHAPTER IV

THE ADMINISTRATION OF LANGDON CHEVES

"A SHIP without a rudder or sails or masts, on short allowance of provisions and water, on a stormy sea and far from land, will afford a figure by no means too strong to express the hapless condition of the Bank of the United States, when I undertook the government of it." So asserted Cheves many years later,[1] and with truth, for when he came into office he found an appalling state of affairs. There was a general expectation that the bank was about to suspend specie payment, and that the nation would once more be plunged into all the difficulties of the period just before its establishment.[2] As already seen, the situation of the eastern offices was particularly serious. Elsewhere the attempt to curtail had frequently ended merely in changing the form of the debt, while the notes of the southern and western branches were still pouring into the northern offices in an overwhelming flood.[3] The spirit of the offices is evidenced by the act of the Baltimore directory, which would not attempt to make a new curtailment required in

[1] Cheves in answer to President Thomas Cooper, of South Carolina, Aug. 18, 1837, NILES, Vol. LIII, p. 8, quoting the Charleston *Mercury*.

[2] "My memory deceives me much if I found any one in or out of the Bank, who entertained a sanguine belief of its being able to sustain its payments much longer. On the contrary there was . . . . a public and general expectation that the nation was about to suffer the calamity of a currency composed entirely of irredeemable paper."—CHEVES, p. 19, and NILES, Vol. XXIII, p. 91.

"The chief difficulty, probably, now will be if the Bank cannot continue to pay specie, and consequently incur a liability to be called upon by its creditors for twelve per cent. per annum interest. . . . . *We fear there is too much cause to calculate upon the Bank being placed in this unhappy situation before many months.*"—Bank directors to Cheves, Feb. 1, 1819, *Exposition*, p. 39; also Smith to Crawford, Feb. 2, 1819, *F.*, Vol. IV, p. 869.

[3] "And when in this wretched state, the southern and western circulation was pouring in upon these weak points."—CHEVES, p. 15, and NILES, Vol. XXIII, p. 90.

February, though, in order to keep the strict letter of instructions from Philadelphia, the notes of debtors were renewed "without the formality of discount."[1] An insignificant attempt to reduce the excessive loans on stock at Philadelphia was being met with violent and sometimes successful opposition by the stockholders.[2] The government stock held by the bank had been sold and the proceeds exhausted without bringing any relief.[3] The bank was almost without specie, and actually without sufficient in its vaults to meet the possible demands of the Philadelphia banks, while a still greater sum was owing and immediately due for money borrowed at home and abroad.[4] Meanwhile the receipt of government dues embarrassed the bank to an almost ruinous extent, the duties being paid by the merchants in branch paper, and the debentures for these same duties being demanded by the government and paid by the bank in specie—or paper immediately redeemable in specie.[5] There was no specie to be procured at home, and the

1 "That, after protesting, by letter, without success, against the curtailing order of the Parent Board, bearing date the 19th February, 1819, it was agreed to renew the notes without the formality of discount, in order not to violate the instructions of curtailment."—*Conspiracy Cases*, p. 114.

2 "At the close of this period [of curtailment] the discounts on personal security at Philadelphia, had been so long the subject of curtailment, that but a small portion of them admitted of further reduction, and, after great efforts, a rule had been established to reduce the discounts which had been granted on the stock of the Bank, at the rate of 5 per cent. every 60 days. . . . . Even this small reduction was the subject of loud, angry, and constant remonstrances among the borrowers, who claimed the privileges and the favour which they contended were due to stockholders, and sometimes succeeded in communicating their sympathies to the Board."—CHEVES, p. 16; NILES, Vol. XXIII, p. 90.

3 "All the funded debt which was saleable, had been disposed of, and the proceeds exhausted."—CHEVES, p. 16; NILES, *ibid.*

4 CHEVES, p. 17, and NILES, *ibid.*

5 "The sums which were collected daily on account of the revenue, in branch paper, were demandable the next day in Philadelphia, and, at the same time, at every office of the establishment, at the discretion of the officers of the Government. The revenue was principally paid in Branch paper; . . . . and while the duties were thus paid at one comptor in Branch paper, the debenturas, ... were demanded and paid at the other in specie, or its equivalent,—money of the place."—CHEVES, *ibid.*, and NILES, *ibid.*, p. 91. See also Cheves's letters to Crawford April 6 and 13, 1819, *F.*, Vol. IV, pp. 873, 874.

attempt to procure it abroad had broken down early in February;[1] the bank was receiving little aid from the South, and none from the West,[2] while its own slender stock of the precious metals was still being drawn into these parts of the Union.[3] "All the resources of the Bank," declared Cheves, "would not have sustained it in this course and mode of business another month!!"[4] Nothing but disaster and wreck could be expected. Even Secretary Crawford abandoned hope. "The stoppage of specie payments by the bank and by the State institutions is inevitable," he wrote to Cheves.[5]

The new president, however, was the man to save the wreck, if it could be saved; for what was required before all things was decision and firmness, and these Cheves possessed to an extraordinary degree. He clearly perceived that the essential cause of the bank's embarrassment lay in the business of the southern and western offices, and these "were immediately directed not to issue their notes," while the bank itself "ceased to purchase and collect exchange on the south and west."[6] This measure was the vital one in rescuing the bank from its immediate difficulties.[7] Alone, however, it would have been effective only after a lapse of

[1] Smith to Crawford, Feb. 2, 1819, *F.*, Vol. IV, p. 869.

[2] "The Southern Offices were remitting tardily, and the Western not at all."—CHEVES, p. 17, and NILES, Vol. XXIII, p. 91. See also letters of March 20 and April 2, 1819, from Cheves to Crawford, *Exposition*, pp. 42, 51.

[3] "The Bank itself continned . . . . to purchase and collect drafts on the southern and even western Offices, though almost the whole active capital already lay in these quarters of the Union, and though the great object of the curtailments was to draw funds from these points."—CHEVES, p. 15; NILES, *ibid.*, p. 90.

[4] *Exposition*, p. 17; NILES, *ibid.*, p. 91.

[5] "Langdon Cheves and the United States Bank," by MISS LOUISA P. HASKELL, *Report American Historical Association*, 1896, Vol. I, p. 366. See also Crawford to Cheves, April 6, 1819, CHEVES, p. 59.

[5] CHEVES, p. 20; NILES, Vol. XXIII, p. 92.

[7] "The great cause which has given security to the bank, and without which it certainly could not have sustained itself, has been the restraint put upon the offices, with which the exchanges were adverse, in the issue of their notes."—Cheves to Crawford, Sept. 15, 1819, *F.*, Vol. IV, p. 903.

more time than the bank had at its disposal. Hence it was necessary to seek immediate relief in other directions. Cheves consequently brought forward a number of additional measures having this end in view. The curtailments already ordered were to be continued, though not increased; the balances due from the state banks were to be collected; the government was to be requested to give the bank time to make transfers of public funds from the places where they were collected to the places where they were to be disbursed;[1] to allow debentures to be paid in the same currency in which duties were paid; finally, as a temporary relief of absolute necessity, the bank borrowed $2,000,000 in Europe, payable in three years.[2] "These measures," said Cheves, "lifted the Bank in the short space of seventy days, ... to a state of safety and even some degree of power." In fact, the storm was not only weathered, but the curtailments were in part abandoned, the state banks assisted, suspension averted, the currency improved, and the capital of the bank to some extent localized.[3]

[1] Hitherto the government had been allowed to call for its deposits at any office, no matter where the funds might be. This arrangement was no longer possible, as it led to infinite embarrassments and might prostrate the bank in a single day. See resolution of board of April 12, 1819, *ibid.*, p. 874; Cheves to Crawford, May 3, 1819, *ibid.*, p. 876. Confined to the offices at Philadelphia, Boston, New York, and Baltimore.

[2] "(1) To continue the curtailments *previously* ordered. (2) To forbid the Offices to the south and west to issue their notes when the exchanges were against them. (3) To collect the balances due by local Banks to the Offices. (4) To claim of the Government the time necessary to transfer funds from the Offices where money was collected to those where it was to be disbursed, as well as like time (until the difficulties of the Bank were removed) to transfer funds to meet the notes of Offices paid in the Bank or other Offices than those where they were payable according to their tenor. (5) To pay debentures in the same money in which the duties, on which the debentures were secured, had been paid. (6) To obtain a loan in Europe for a sum not exceeding 2,500,000 dollars, for a period not exceeding three years."—CHEVES, pp. 20, 21; also NILES, Vol. XXIII, p. 92. For the exact sum borrowed see CHEVES, p. 25, and NILES, *ibid.*, p. 95.

[3] "These measures . . . . lifted the Bank in the short space of seventy days (from 6 March to 17 May) from the extreme prostration which has been described, to a state of safety and even in some degree of power, enabled it to cease its curtailments, except at points where it had an excess of capital, to defy all attacks upon it, and to sustain other institutions which wanted aid and were ascertained to be

Having rescued the institution from immediate peril, it became necessary to attempt a complete reform of its business methods and the correction of all abuses, with the purpose of restoring and afterward retaining its capital. Cheves's management of the institution was dominated by these considerations alone. He seemed to care little about doing any considerable business so long as he was perfectly safe, and his career is, therefore, to be judged, not by his ability as a banker in ordinary circumstances, but as an inventor of expedients to restore the bank to the position which it first held. In this he was completely successful; as a banker, one may reasonably doubt his title to any pre-eminence.

Resolved to restore the capital of the institution, Cheves determined that no dividends should be paid until the original capital was once more intact.[1] In order to make the funds perfectly safe, he strove for three principal ends: the reduction of the active funds, a proper distribution of capital to the branches, and the retention of these capitals by the branches when once they had been assigned.

To reduce the active funds, he insisted on the retention of the capital stock which had been surrendered as a result of the insolvency of the debtors at Baltimore and other places to the number of 37,954 shares,[2] thus virtually diminishing the bank's capital by $3,795,400. In addition to this, Cheves secured a further reduction of active means by investing as far as practicable in the funded debt of the United States.[3] As the former management had sold all the government stock that was saleable,[4] there remained only the

solvent; above all, to establish the soundness of the currency which had just before been deemed hopeless; and in a single season of business (the first) to give to every Office as much capital as it could advantageously employ."—*Exposition*, p. 21, and NILES, *ibid.*, p. 92.

[1] Report of Committee of Stockholders, Nov. 5, 1819, NILES, Vol. XVII, p. 165.

[2] CHEVES, p. 29, and NILES, Vol. XXIII, p. 95.

[3] CHEVES, p. 30, and NILES, *ibid.*

[4] There was an excess of $322,823 in March, 1819, which was reduced to $160,210 in April.—Reports of the state of the bank for 1819.

government's subscription to the bank's capital, $7,000,000, at 5 per cent. To increase this the bank took a government loan in 1820 of $2,000,000 at 6 per cent., and another in 1821 of $4,000,000 at 5 per cent.[1] The capital was thus reduced by $16,955,610. It was further diminished by the amount of the suspended debt, which was in excess of $10,000,000. After all these deductions were made, the amount left as active capital was about $8,000,000. Cheves thought this almost sufficient, calculating, in October, 1822, that in any case only $1,500,000 additional was needed.[2]

More important to safe and proper management was the assignment of the capital to the branches. The first step was to transfer the funds of the bank from the western and southern offices, where it was held, to the northern offices, where it was needed. By putting an end to most of the business of the southern and western offices, and by compelling them to remit in specie or bills of exchange on Europe or the North, the bank by October, 1819, corrected to a considerable extent the injurious distribution of the capital occasioned by former mismanagement. There were, however, vast sums still locked up at Baltimore and the western offices, and at all the southern offices the funds held were excessive.[3] Nevertheless, correct banking principles demanded that definite capitals should be assigned to the bank and its offices, since otherwise it would be impossible to "do business with judgment or success."[4] The 1st of November, 1819, was therefore selected as the date upon which the capital should be considered fixed,[5] though the sums assigned were in most cases provisional, and nothing whatever was allotted to Baltimore or to the western offices.[6] Meanwhile the southern offices were ordered to continue to remit in bills

[1] CHEVES, p. 22, and NILES, *ibid.*, p. 91. [2] CHEVES, p. 30, and NILES, *ibid.*, p. 95.

[3] Report of Committee of Bank, Sept. 25, 1819, *F.*, Vol. IV, p. 907, secs. 3, 4.

[4] *Ibid.*, p. 906, sec. 1. [5] *Ibid.*, p. 909, sec. 17. [6] *Ibid.*, p. 907, sec. 5.

of foreign or domestic exchange all excess of capital and all revenue received on account of the government.[1]

The most difficult and the essential task still remained, for the mechanism of the system had to be arranged so as to keep the capital stationary, and thus avoid a repetition of the disasters of the previous years. In analyzing the causes of the transfer of the funds to the South and West, the directors pointed out those which needed correction before any permanent reform could be obtained or the bank's safety assured. These were: the payment of government revenues at the eastern offices in notes of the distant branches, which made necessary the keeping of large supplies of specie at all the offices to redeem them; the collections and drafts of the bank and its offices on each other; and the payments on account of the government,[2] which had to be made wherever ordered if the bank held sufficient funds belonging to the government, even if it did not have them at the particular office where payment was demanded.

The first of these causes Cheves always considered as the most serious after the western note issues, because the exchanges were invariably against the West, and for half the year against the South; and hence the notes of these offices would run constantly to the East and North in payment of government dues, and thus tend to shift the capital to the West and South.[3] As the course of exchange could not be controlled, one of two things was, in his opinion, necessary: either the government must decline to receive the branch notes in payment of government dues, except where the notes were by their tenor made receivable; or the bank must put an end to the issue of western notes and greatly diminish the issue of southern notes. At the very beginning of his

[1] Report of Committee of Bank, Sept. 25, 1819, *F.*, Vol. IV, p. 908, sec. 10.

[2] *Ibid.*, p. 908, sec. 12.

[3] Cheves to Crawford, April 6, 1819, *ibid.*, p. 873; and Memorial, Bank of the United States, Dec. 7, 1820, *ibid.*, Vol. III, p. 589.

presidency, therefore, Cheves earnestly appealed to Secretary Crawford to cease the receipt of branch paper in the eastern cities in payment of government dues.[1] Crawford declined to accede to the proposition, as he considered it illegal, and was certain that it would be inexpedient, injurious to the treasury, and destructive to the bank, while it would transform the branch issues into local currencies, circulating at par only within the immediate neighborhood of the issuing offices.[2] Cheves submitted, but the belief that the government's receipt of such notes everywhere was dangerous remained with him to the last. In December, 1820, the bank appealed to Congress to make modifications in the charter, and especially urged a change in this respect.[3] Since neither the treasury nor Congress would furnish the relief asked, the same end was reached by the alternative method, namely, by prohibiting the issues of the offices against which the exchanges ran. The western offices were instructed to issue nothing larger than five-dollar notes. The notes of another office were not to be paid out except by an office having a credit with the office originally issuing them.[4]

The third difficulty, that of having to pay government funds wherever they were called for without having time to

[1] Cheves to Crawford, April 2, 1819, *Exposition*, pp. 49–52. Same to same, April 6, 1819, *ibid.*, pp. 53–7; also *F.*, Vol. IV, pp. 873, 874.

[2] Crawford to Cheves, April 6, 1819, *Exposition*, pp. 59–63. Same to same, April 9, pp. 64–9. It would seem, however, that for a brief period the bank refused to pay such notes deposited by the treasury except at the places where payable by the tenor of the note.—Extract from minutes, *F.*, Vol. IV. p. 874; Memorial, Bank of the United States, Dec. 7, 1820, *ibid.*, Vol. III, p. 589; NILES, Vol. XVI, pp. 417, 418; Crawford to Cheves, April 27, 1819, *F.*, Vol. IV, p. 614.

[3] Memorial, Bank of the United States, Dec. 7, 1820, *ibid.*, Vol. III, pp. 586 ff.

[4] "When the notes of an office (above five dollars) shall appear to be drawn from it, to be used as a substitute for exchange, it shall immediately cease to issue them, unless it be indispensably necessary to sustain the credit of the office to do so. On this principle it will be inexpedient, considering that the exchanges run steadily and constantly against the western country, that the offices of Pittsburg, Cincinnati, Chillicothe, Lexington and Louisville shonld issue their notes unless it be indispensably necessary to sustain their credit, until the further order of the Board."—Report of the Committee of the Bank of the United States, Sept. 25, 1819, *ibid.*, Vol. IV, p. 908, sec. 14.

transfer them, was completely obviated by a new arrangement with the treasury by which sufficient time was to be given in all cases for the making of transfers.[1]

These measures were in themselves sufficient to keep the capital fixed, but Cheves was not a man to take any chances, and consequently further rules were enacted with the same object in view. In addition to the prohibition upon the issues of notes, each office was to draw bills of exchange upon other offices only when it had provided a fund upon which to draw.[2] Such bills were to be drawn for only sixty days and payable at sight, thus avoiding the danger of tying up capital in a species of long loans; they should not be bought above par, nor should checks be sold below par. Each office must make provision for paying its notes on presentation, and indeed retain specie sufficient to meet any unexpected minor demand.[3] The offices should collect debts due each other, and furnish one another monthly lists of notes of other offices held. These notes were to be sent home as soon as possible, and the funds to pay them might be secured by selling drafts on the debtor office; conversely, collections might be provided for by buying bills payable at the creditor office.[4] Besides the monthly reports, which acted as a check on the impulse to draw on the other offices, each office was to furnish the central board with a weekly list of the bills of exchange bought and checks drawn, giving exact and minute information about them.[5]

[1] *F.*, Vol. IV, p. 909, sec. 16, and Crawford's answer to the proposals, Sept. 14, 1819, *ibid.*, p. 640.

[2] "They shall not draw, except on funds to meet the payment of their drafts, unless by an arrangement or understanding with each other. They may, under such arrangements, establish mutual credits with each other and with the parent bank, of all which arrangements the parent Board shall immediately be advised."—*Ibid.*, p. 908, sec. 12.

[3] *Ibid.*, pp. 908, 909, sec. 18.

[4] *Ibid.*, p. 908, sec. 12.

[5] "The offices shall severally annex to their weekly statements a list of the bills purchased by them in the preceding week, with the names of the drawers, endorsers, and drawees, dates, the time to run, whether from sight or date, and the premium and

Such were the measures for keeping the capital fixed: the treasury was to draw for funds only after giving time for the transmission of the funds; the offices were to draw only when they had provided for the payment of their checks and bills; the notes of offices against which the course of exchange ran were not to be issued. These measures were the essential ones in putting the bank into a position where it could safely continue its business, once its capital was withdrawn from the South and West and properly apportioned. With their capitals assigned, the offices knew precisely how much they had to trade upon, and all beyond that sum which came into their hands had to be accounted for and returned at once to the various offices to which it belonged.

While providing against dangers which threatened from the bank management, Cheves undertook to hold the state banks to a strict accountability. It was advisable for the bank's profits that the state banks should not be suffered to retain enormous balances due to the bank; it was necessary to the bank's safety that they should not be permitted to trade absolutely without restriction, for if they did so the currency could not be kept sound, and specie payments could not be continued. Consequently, as a means to the securing of the bank's just profits, to its safety, and to the soundness of the currency, Cheves insisted upon an immediate reduction of state-bank debts, a settlement of balances in the future at fixed intervals, and the constant presentation of their notes for specie.[1] At the same time vigorous efforts were made to recover the bank's funds in Kentucky and Ohio. By taking mortgages and collateral

interest received, and also the aggregate amount of the checks drawn by them, with the average rate of the premiums received."—*Ibid.*, sec. 13.

[1] "It is generally understood that the U. S. office in this city has called on the state banks to pay up their balances, about 20 per cent. a week, till paid; then to settle up weekly, or at some short period. This is by *orders* from head quarters." —NILES, Vol. XVI, p. 261, quoting the Richmond *Enquirer* of May 28, 1819.

security, and by accepting real estate on terms easy to the debtors, it contrived by August 30, 1822, to secure $961,-653.62 out of a debt due at Cheves's accession of $6,351,-120.80. Cheves naturally regarded this as an unusual achievement.[1]

Reform in the management was energetically pursued. Salaries were at once reduced,[2] current expenses cut to the lowest possible figure,[3] and the London agency discontinued, in so far as possible.[4] As a consequence the expenses were lower than at any other period of the bank's history.[5] Changes of officials and directors began even before Cheves was placed at the head of the bank. In January, 1819, fourteen new directors had been elected to the parent board out of a total of twenty-five,[6] and immediately afterward President Jones and George Williams resigned from the board.[7] Cheves remorselessly continued this necessary work, weeding out incompetent officers and striving to bring criminals to punishment. Less than a year after his entering office, Cashier Jonathan Smith left the bank.[8] McCulloch was forced out of the Baltimore branch in May, 1819, and Buchanan at once resigned;[9] the directors of the branch were changed;[10] a new president was elected;[11] and suits were instituted against Buchanan, Williams, and McCulloch for

1 *Exposition*, pp. 26, 27, and NILES, Vol. XXIII, p. 94.

2 President's and cashier's salaries from $7,000 to $6,000; rest of the officers, 20 per cent.

3 "The current expenses of the bank have been essentially reduced since the year 1819."—Report of Bank Committee, Oct. 1, 1822, CHEVES, pp. 11, 86, 87, and NILES, *ibid.*, p. 89.

4 Report of Committee on the State of the Bank, July 19, 1821, NILES, Vol. XX, p. 344.

5 *S. D.* 98, 22d Cong., 1st Sess., pp. 44-8.

6 *H. R.* 460, 22d Cong., 1st Sess., p. 286.

7 CHEVES, p. 39, and NILES, Vol. XV, p. 417.

8 NILES, Vol. XVII, p. 440. His place was taken on Feb. 25, 1820, by Thomas Wilson.—Cheves to Crawford, March 1, 1820, *F.*, Vol. IV, p. 920.

9 Cheves to Crawford, May 27, 1819, *Exposition*, p. 73, and NILES, Vol. XVI, p. 223.

10 NILES, *ibid.*, p. 321. The vacancies were five.

11 *Ibid.*, p. 238.

conspiracy to defraud the bank. These came to trial in the courts of Maryland in 1821. The lower court acquitted the defendants, and the decision was then overruled by the court of appeals;[1] but on re-trial in the lower court in 1823 the defendants were again acquitted.[2] Suit was also brought against the cashier of the Middletown branch for defalcation,[3] while similar measures were taken at other offices. At Louisville, Ky., the number of directors was increased from eight to thirteen, only four of the old directors being retained, and a new president was appointed.[4] Half the directors at the offices, Niles calculated, were turned out.[5] In August, 1819, the president of the Richmond board resigned,[6] there being a deficit at that branch of some $60,000; and in September, 1820, the cashier at Fayetteville, N. C., resigned because of a deficiency in his accounts.[7] Meanwhile the western and southern offices were carefully investigated by committees of the bank which reported their condition as well as the amount of losses suffered during the first years of the bank.[8] Cheves was of the opinion that there were too many branches,[9] and it was determined to reduce the number, if possible.[10] The attempt was made, but the Cincinnati branch alone was withdrawn in October,

1 *Conspiracy Cases*, Appendix, pp. 81 ff.

2 *Ibid.*, Appendix, pp. 1 ff.

3 Sum lost, $66,548. Cashier removed Oct. 27, 1820.—12 WHEATON, 12, 13.

4 NILES, Vol. XVI, p. 260.

5 NILES, Vol. XVII, p. 325, Jan. 15, 1820.

6 NILES, Vol. XVI, p. 405, Aug. 14, 1819; p. 421, Aug. 21, 1819. The fault was with one of the clerks of the branch.—NILES, Vol. XVIII, p. 32, March 11, 1820, quoting the Richmond *Examiner*.

7 NILES, Vol. XIX, p. 26, Sept. 29, 1820, quoting the Fayetteville *Observer*.

8 CHEVES, pp. 26, 27, and NILES, Vol. XXIII, p. 94.

9 "We have too many branches, ... I hope they will be reduced."—Cheves to Crawford, May 27, 1819, *Exposition*, p. 73.

10 "The committee strongly recommend as expedient, that the number of the offices of discount and deposite . . . . should be gradually diminished, whenever it shall be deemed beneficial to the institution."—Report of Committee of Bank Stockholders, Nov. 5, 1819, NILES, Vol. XVII, p. 166. The same recommendation was made by the committee of 1822.—CHEVES, p. 11; NILES, Vol. XXIII, p. 89.

1820,[1] it being found "inexpedient to discontinue any other office."[2]

Complete success crowned these various measures. On the 1st of January, 1821, the capital was once more entire,[3] $3,550,000 having been appropriated from profits since 1819 to a contingent fund to cover the losses of the early years. A dividend of 1½ per cent. was then declared.[4] By January, 1823, the capital was fairly apportioned, though not yet in entire consonance with the best interests of the bank. Permanent capitals were fixed in the cases of the southern and northern offices, with the exception of Baltimore. Here and at the western offices no capitals could yet be assigned.[5]

The effect of these measures upon the volume of the bank's business was marked. With the effective funds of $8,000,000, to which Cheves had virtually reduced the capital of the bank, no extensive business was done, and under his management little could be done; for his policy was one of continuous restriction. Since the western and southern offices could rarely issue notes, they could not make any material discounts, and the measures thus adopted checked

[1] Cheves to Crawford, Oct. 21, 1822, *F.*, Vol. IV, p. 944. Oct. 2 was the date of withdrawal.

[2] CHEVES, p. 28, and NILES, Vol. XXIII, p. 94.

[3] "*Resolved*, That, in the opinion of the board, the losses of the bank, previously sustained, were repaired, and that the capital stock was re-established, and made whole on the first day of January, 1821."—Report of Committee on the State of the Bank, Jan. 23, 1821, NILES, Vol. XIX, p. 375.

[4] Report Dividend Committee of Bank, July 2, 1821, NILES, Vol. XX, pp. 298–300, and *H. R.* 460, 22d Cong., 1st Sess., p. 213.

[5] Distribution of capital, Dec., 1822:

Philadelphia	$24,245,306.24 (presumably includes suspended debt, etc.).		
Portsmouth	200,000.00	Fayetteville	$ 500,000.00
Boston	1,500,000.00	Charleston	1,500,000.00
Providence	350,000.00	Savannah	1,000,000.00
Middletown	200,000.00	Lexington	....
New York	2,500,000.00	Louisville	....
Baltimore	....	Chillicothe	....
Washington	500,000.00	Cincinnati	....
Richmond	1,000,000.00	New Orleans	1,000,000.00
Norfolk	500,000.00	Pittsburg	....

—*F.*, Vol. IV, p. 477.

western business almost entirely. In the light of this fact it was futile for Cheves to assert that his management had never ordered a contraction.[1] It never had, in so many words, but the entire policy of that management meant a continuous contraction. "Total investments" for the whole of Cheves's administration were much less than at any other period of the bank's existence, and discounts were particularly restricted, running from about $25,000,000 to $30,000,000 out of from $39,000,000 to $44,000,000 of productive funds.[2]

The issues kept pace with the discounts, ranging from $3,519,000 in January, 1820, to $6,630,000 in September of the same year. The West and South were almost completely deprived of the bank's notes, as a consequence of the policy of September, 1819, which forbade their issue when the course of exchange was adverse,[3] though in October of that year the same plan allowed all the offices to issue five-dollar notes, no matter what the course of exchange, and provided for their redemption at all the offices.[4] This permission, however, was of little value, since the notes had to be signed by the president and cashier of the parent board, and these officers

[1] "I now state, and defy contradiction, and am ready to prove that *no curtailment has been ordered from the time I took my seat, until this day*."—*Exposition*, p. 21, and NILES, Vol. XXIII, p. 92.

[2] Out of a total of $40,640,000 of productive funds in April, 1819, $33,480,000 were in discounts. In 1820 discounts at no time exceeded $29,913,000. In 1821 discounts at their maximum were $29,346,000 out of a total of $40,061,000, while in 1822 the maximum was $28,561,000 out of a total of $44,602,000. In the discounts, too, would be included the suspended debt of $10,000,000.

[3] "All notes issued south and west of Washington have, in consequence of the state of exchange between these places and the commercial cities to the east of this place, centered in those cities. The Bank has consequently found itself constrained to direct those branches to refuse to issue their notes, even upon a deposite of specie. The effect of these causes, combined, has been, the exclusion from circulation, in all the states west and south of the seat of government, of the notes of the Bank of the United States and its offices."—Crawford's Report, Dec. 1, 1820, *F.*, Vol. III, p. 552.

[4] Oct. 16, 1819. "Notice is hereby given, that the notes of this bank and its offices, of the denomination of five dollars, will be received and paid on demand, at the bank and its offices respectively, without reference to the place where they may, by their terms, be made payable.—By order of the board of directors, Jonathan Smith, cashier."—NILES, Vol. XVII, p. 115, Oct. 23, 1819; see *F.*, Vol. IV, pp. 908, 909, sec. 15.

being entirely too busy to give adequate time to this task, very few five-dollar notes were furnished.[1] The bank, nevertheless, was anxious to meet the difficulty by increasing its issues of five-dollar notes,[2] and the order allowing them to be taken at all offices gave relief in the North. The prohibition upon the offices against receiving any of the notes had stood for fourteen months, and had caused much embarrassment and excessive feeling.[3]

Cheves's management of the bank, on the whole, was excellent. Nevertheless, he failed to avoid all errors. He could not restrict overdrawing either at the parent bank or at the branches.[4] He could not control the branches to the extent requisite, and found an adequate apology for his failure in the nature of the branch directorates and their officers. He recommended as remedies the withdrawal of offices where possible, and the payment of good salaries to the presidents.[5] His banking methods, moreover, were not altogether commendable. He discounted notes at long dates,[6] he made loans on the security of the bank's stock,[7] and he was content to have the bank's issues consti-

[1] Memorial, Bank of the United States, Dec. 7, 1820, *F.*, Vol. III, p. 589.

[2] "The five dollar notes of the bank and the offices shall be increased as fast as they can be prepared and signed."—Report of Committee of the Bank, Sept. 25, 1819, *F.*, Vol. IV, p. 908, sec. 15.

[3] NILES, Vol. XV, p. 61, Sept. 19, 1818; Vol. XVI, p. 290, June 26, 1819; Vol. XVII, p. 5, Sept. 4. 1819.

[4] "Sometimes when checks are presented, the officer will not think it necessary scrupulously to examine the accounts of the individuals drawing, to see with how much they are credited, but will pay them at once. . . . . Mr. Cheves attempted to check this practice as an irregularity, and, in consequence, the business of the bank with the brokers was diminished, and many complaints were made by the merchants. The practice was soon resumed, not, however, with the assent of Mr. Cheves."—T. WILSON, *H. R.* 460, 22d Cong., 1st Sess., p. 113; case at Savannah branch, 1820-21, S. Nicholas to Biddle, Feb. 26, 1821, *B. P.*

[5] Cheves to Crawford, May 27, 1819, *Exposition*, p. 73, and Report of Committee of Stockholders, *ibid.*, p. 11.

[6] "The bank, to keep up its business as far as possible, discounted long paper, say at four and six months, and perhaps longer."—Cheves in answer to T. Cooper, Aug. 18, 1837, NILES, Vol. LIII, p. 8, quoting the Charleston *Mercury*.

[7] The amount of loans on bank stock in Aug., 1822, was $5,974,725.80.—Biddle to stockholders, Sept., 1831, NILES, Vol. XLI, p. 117.

tute merely local currencies, and strove to make them so. In short, Cheves was not a banker either by profession or by inclination. He saved the bank, but, having done that, he had exhausted his usefulness to the institution.

The difficulties with the states and the state banks continued all through his administration, and were indeed much more serious then than either before or after. The currencies of the state banks were in a wretched condition. In April, 1819, bank paper at New York ranged from par for New England notes to 75 per cent. discount for other notes; at Baltimore, in August, 1819, New England notes were depreciated from 1 to 6 per cent., New York notes from par to 8 per cent., Pennsylvania notes from par to 60 per cent., western notes from 10 to 60 per cent., and southern notes from 1 to 25 per cent.[1] Throughout the states failures were continuous through 1819–20;[2] in the South and West affairs were even worse. All the banks of North Carolina virtually suspended specie payments May 31, 1819.[3] The banks of South Carolina did not regularly pay specie until 1823.[4] In July, 1819, the Nashville Bank of Tennessee suspended payment.[5] The Bank of Missouri stopped in August, 1821,[6] and in that month Cheves was unable to find any bank in Tennessee, Indiana, or Illinois which he considered perfectly sound.[7] In brief, there were very few banks in the South and West during the years 1819–22 which redeemed their notes in specie. In Tennessee, Kentucky, Ohio, Missouri, Illinois, and Indiana affairs were even worse than elsewhere, for in these states the relief system was established, hindering creditors from collecting their debts, with the effect of bringing disgrace and ruin upon the states themselves.[8] The con-

[1] NILES, Vol. XVI, p. 434. [2] *Ibid.*, Vols. XVI and XVII, *passim.*

[3] *F.*, Vol. IV, p. 1039. [4] GOUGE (Cobbett's edition), p. 104.

[5] Crawford to Cheves, July 28, 1819, *F.*, Vol. IV, p. 629.

[6] *Ibid.*, p. 758. Aug. 24, 1821. [7] Cheves to Crawford, Aug. 7, 1821, *ibid.*, p. 956.

[8] That is, a system intended to give relief to the debtor by throwing obstacles in the way of the collection of debts by the creditor. This was done by enacting

sequences were painful to all parties. The bank would not take the notes of any but specie-paying banks, it did not issue its own notes in any considerable quantity in the South and West, and it forced the specie-paying state banks to restrict their issues by frequent presentation of their notes for redemption. As a result the people of these sections could secure no loans, and were left totally without a sound currency. Convinced that the bank was to blame for all their woes, the entire population of the South and West spent their nights and days in reviling it as a rapacious, greedy, oppressive, and destructive monopoly. Cheves had no wish to play the martyr, and consequently adopted as lenient a policy as possible; but it was all in vain, as his experience proved.

The banks of Savannah, namely, the Planters' Bank and the Bank of the State of Georgia, had enjoyed immunity from paying their debts while Jones was president of the bank. Under Cheves the case was altered. As the bank issued no notes in Georgia, the notes of the Georgia banks were received in payment of the government revenue, and the Bank of the United States, which took them, credited them to the treasury as specie. As a natural consequence it then asked the Georgia banks to redeem them in specie,[1] and thus forced the Georgia banks to reduce their business in what they considered an astounding degree.[2] Moreover, in May, 1820, the directors determined that the balances against the Georgia banks must be reduced. Hitherto the Savannah

replevin laws, staying the execution of judgments in favor of the creditor, or giving the debtor the right to recover at a slight advance his property sold in payment of his debts; or by laws forbidding the sale of raal estate excepting at a value appraised by the neighbors of the debtor; or by similar pernicious legislative devices.

[1] "The heavy balances which had before accumulated were caused by receipts on account of the revenue and Government drafts, and have been long since paid to the Government by this bank."—Cheves to Crawford, June 9, 1820, *F.*, Vol. IV, p. 927.

[2] "The very diminished amount of their circulation, (understood to be two-thirds of their paid capital, whereas it was once as three to one)."—Richardson to Cheves July 16, 1820, *ibid.*, p. 937.

banks had received the benefit of at least $200,000 of the bank's capital,[1] this being the average amount of the debt against them. Even now the directors, dreading the possible results of popular hostility in the great state of Georgia, prepared to allow themselves to be robbed still further, though to a less extent. The Georgia banks were to be allowed a permanent credit of $100,000 without interest, that sum to be held by the branch in Savannah in their notes and not presented for payment. In other words, the bank was willing to devote $100,000 of its capital to the use and profit of the state banks of Georgia. But beyond this it would not go; it sternly demanded that all debts in excess of the $100,000 should be duly paid, and instructed its offices not to receive the notes of the banks unless they would pay the excess on demand.[2] The Georgia banks considered the propositions monstrous, refused to pay the excess,[3] and declined haughtily to suffer the indignity of daily settlements for their notes.[4]

[1] "Whereby the office lost and these banks gained the use of the sum of $200,000, or thereabouts, of the capital of the branch for a period of nearly three years."— Report of Committee on the State of the Offices, July 11, 1820, *ibid.*, p. 933. See exact figures, *ibid*, p. 934, column 4 of table.

[2] "1. *Resolved*, That the office at Savannah do, immediately on the receipt of this order, cease to receive in deposit or payment the notes of such local banks as shall not punctually and bona fide redeem them.

"2. *Resolved, nevertheless*, That if the said banks, respectively, shall bona fide pay on demand their proportions of the whole of the local paper held by the office, over and above their proportions, respectively, of the sum of $100,000, which the office is permitted to keep on hand, then the foregoing resolutions shall cease to operate as to such banks, respectively.

"3. *Resolved*, That on failure of the said banks, respectively, to honor their notes in the manner stated in the second resolution, suits be commenced against them, respectively, at the next return of the Circuit Court of the United States for the District of Georgia, for the recovery of the whole amount of their paper held by the office, with legal and customary interest thereon."— Report of Committee on the State of the Offices, May 30, 1820, *ibid.*, p. 932.

[3] Planters' Bank refused to the amount of $10,900; State Bank, $25,600.— Hunter, of Savannah, to Cheves, May 30, 1820, *ibid.*, p. 928. This in excess of the permanent deposit.— Cheves to Crawford, June 9, 1820, *ibid.*, p. 927.

[4] "The requisition by the office of the United States Bank for a *daily cash settlement* from the local banks has been resisted, not only as unnecessary and totally without example in the intercourse of the banks in this quarter of the Union, who have always acted towards each other with unlimited and distinguished confidence, but as otherwise objectionable."— Report of Joint Committee of Savannah Banks [Planters' and Bank of the State of Georgia], June 21, 1820, *ibid.*, p. 1055.

Nevertheless, the bank was still unwilling to grapple with the state institutions and took steps toward further concessions. The Georgia banks now dictated their terms: daily settlements of balances must be abandoned; the Bank of the United States must issue its own notes and not those of the state banks; and, finally, the Savannah banks would redeem the notes already held and submit to weekly or monthly settlements in the future.[1] Willing, if possible, to evade the conflict, the Bank of the United States accepted these terms,[2] at the same time indignantly repudiating the insinuation of the Georgia banks that it wished to draw specie from them.[3] Yet the arrangement was scarcely accepted when a letter from the president of the Savannah bank revealed to Cheves that the state banks would hardly be willing to consent to weekly settlements.[4] To this Cheves replied that weekly settlements must be adhered to, but conceded that, if the Savannah banks would pay 6 per cent. interest on the balances in excess of $100,000, they need not discharge them.[5] The banks of Savannah at last accepted these terms in January, 1821, with the addition, however, that checks on northern cities might be given in lieu of specie.

But peace endured only for the moment. No concessions could satisfy the Georgia banks, for they were resolved to do

[1] Report of Joint Committee of Savannah Banks, *F.*, Vol. IV, p. 1056.

[2] "1. *Resolved*, That the office at Savannah be authorized and instructed, so long as the balances of the Savannah banks shall be kept within the rules heretofore prescribed, not to require settlements of these banks oftener than once in each week, unless the amount of the notes which it may hold of the said banks, respectively, shall exceed the sum of $50,000, over and above their respective proportions of the aggregate of local paper which the office is allowed to hold; in which case the office will, of course, demand as heretofore directed.

"2. *Resolved*, That the office at Savannah be authorized to cease entirely, so long as the balances shall be kept within the limits aforesaid, to pay out the notes of the banks of Savannah, if these banks shall desire it, and that in that case it pay all demands upon it in its own notes, (except where it shall be disadvantageous to the interests of the bank to do so), or in specie."— Report of Committee on the State of the Bank, July 11, 1820, *ibid.*, p. 934.

[3] *Ibid.*

[4] Richardson to Cheves, July 16, 1820, *ibid.*, p. 937.

[5] Cheves to Richardson, July 21, 1820, *ibid.*, p. 938.

a business far in excess of what was commercially justifiable, and the agreement of January still restricted their dealings. They complained that they could do no "new business;" and that they imported specie at a loss to redeem balances held by the Bank of the United States.[1] After six months' trial of the new plan, they were in a worse condition than ever.[2] The Planters' Bank, therefore, annulled the agreement on June 22, 1821,[3] making the astounding request that no more of its notes be received at the branch, and declining to redeem notes presented by the Bank of the United States henceforth, unless relations were placed on a more "liberal and friendly footing."[4]

Cheves was righteously indignant. He declared that the Bank of the United States had "exhausted the cup of concession" and would go no farther,[5] and the branch distributed circulars accusing the Planters' Bank of having suspended specie payments.[6] Hereupon the Planters' Bank angrily retorted that no further intercourse could be held with the Bank of the United States,[7] and complained that "dissatisfaction or irritation against the government in Georgia" arose only when "this mammoth came here to

[1] "Still they curtailed their discounts and did no new business, except in the purchase of bills of exchange on the north, ...

"The Bank of Georgia paid interest under the agreement. This bank continued to import and buy, at a considerable premium, specie to pay the excesses."—Richardson to Crawford, July 21, 1821, *ibid.*, p. 1068.

[2] "The experiment has been made and found to fail. After six months' experience (during which every sacrifice, short of closing their doors, has been made to enable them to maintain their intercourse with your office) the State banks find themselves in a worse situation than before."—Richardson to President Campbell, June 25, 1821, *ibid.*, p. 1070.

[3] J. Marshall to John Hunter, June 22, 1821, *ibid.*, p. 1074.

[4] "We wish you to refuse our paper hereafter; and I am instructed to request that, from the date of the annullment to the present agreement, it may not be received at your office in any shape."

The Planters' Bank resolved "on refusing to pay its bills accumulated by the Bank of the United States, unless their intercourse can be conducted on the liberal and friendly footing which prevails among the State institutions."—Richardson to Campbell, June 25, 1821, *ibid.*

[5] Cheves to Crawford, Aug. 25, 1821, *ibid.*, p. 958.

[6] Richardson to Crawford, July 25, 1821, *ibid.*, p. 1071.

[7] *Ibid.*

destroy our very substance. Ships, plantations, negroes, wharves, stores, all the sources of wealth of the state have been [devoured] by this all consuming power!" It declared that it would cash no more of its notes presented by the Bank of the United States.[1]

Meanwhile, the Bank of the State of Georgia also annulled the agreement of January, 1821, and the office refused the paper of both banks.[2] Attempts to collect specie for notes held, however, met with determined and succesful resistance. In December, 1819, the state legislature had made this difficult by suspending the law allowing 25 per cent. damages on the failure of the state banks to redeem their notes in specie, so far as that law operated in favor of the Bank of the United States,[3] and in December, 1821, it totally precluded the bank from recovering specie on such notes by enacting that after January 1, 1822, state-bank notes held by the Bank of the United States "shall not be redeemable in specie," unless the person presenting them should swear that the notes were not procured by the bank "for the purpose or with any intent . . . . to demand or to draw specie" from the bank issuing the notes.[4]

The business of the Savannah branch rapidly fell away. In January, 1822, Biddle was informed that "not a single deposit is made in it nor do they discount a dollar but in renewal of paper,"[5] and by the close of 1824 it was almost totally deprived of business.[6]

1 Richardson to Crawford, July 21, 1821, *F.*, Vol. IV, pp. 1069, 1070.

2 Cheves to Crawford, Aug. 25, 1821, *ibid.*, p. 958.

3 Dec. 18, 1819.—LAMAR, *Laws of Georgia* (1810–19), p. 1206.

4 Enacted Dec. 24, 1821.—*Laws of Georgia* (Dawson's Compilation), pp. 70, 71.

5 S. Nicholas to Biddle, Jan. 14, 1822, *Biddle Papers*.

6 Reduction of the business of the Bank of the United States in Georgia:

	Oct., 1820	Dec., 1824
Deposits of individuals	$ 112,562	$ 39,896
Domestic bills discounted	55,896	6,070
Bills and notes discounted	1,157,054	448,125
Bills on stock pledged	29,860	6,590

Balances due from state banks reduced from $75,724 to $10,862.—NILES, Vol. XXVIII, p. 116, April 23, 1825.

The directors promptly inaugurated suit against the Planters' Bank to compel it to pay specie for its notes, and after a long course of litigation the case was settled in the Supreme Court of the United States in favor of the bank.[1] Hereupon the Georgia legislature, in December, 1824, repealed the obnoxious law permitting the state banks to refuse specie for their notes to the Bank of the United States,[2] and the national bank was once more enabled to engage in profitable banking in Georgia.

The same opposition and the same state of public feeling existed elsewhere. In July, 1819, the Bank of Nashville appealed to the public against the Bank of the United States in an address, declaring that it was striving to "destroy every state bank."[3] In South Carolina, one year later, a determined effort was made to establish a "system of state paper money," on the ground that the Bank of the United States was collecting specie for bank notes.[4] In all the western states the relief system went into effect in 1819–20, by which the bank, in common with other creditors, was hindered from collecting its just debts. In Kentucky a court held that it was without power under its charter to purchase a promissory note or to collect on such note if purchased,[5] a decision supported by the court of appeals.[6] The state of Ohio waged relentless warfare upon the bank. Undeterred by the decision of the Supreme Court in the case of McCulloch *vs.* Maryland, a determined effort was made to collect the tax laid upon the branches at Chillicothe and Cincinnati. The statute decreed that the tax

[1] Bank of the United States *vs.* The Planters' Bank of Georgia, 9 WHEATON, 904, Feb. term, 1824.

[2] Dec. 20, 1824, *Laws of Georgia* (Dawson's Compilation), p. 71.

[3] NILES, Vol, XVI, p. 341.

[4] Cheves to Crawford, July 12, 1820, *F.*, Vol. IV, p. 931.

[5] Bank of the United States *vs.* Norvell, 2 A. K. MARSHALL, 101, fall term, 1819 (Kentucky reports); NILES, Vol. XVII, p. 150.

[6] *Ibid.*, p. 365. The court reversed this opinion in 1821.—Bank of the United States *vs.* Norton, 3 A. K. MARSHALL, 422 (Kentucky reports).

should be collected by the authorities of the state on the 15th of September of every year. The bank consequently filed a bill in the circuit court of the United States for a writ enjoining the auditor, Osborn, from collecting the tax. The injunction was issued, but was not secured until the 18th, though the auditor had been notified under subpœna[1] that it had been granted. He therefore proceeded in contempt of the court. On the morning of the 17th his agents entered the branch at Chillicothe, leaped over the counter, seized upon the vaults, and forcibly collected the tax.[2] The act aroused intense excitement, not only in Ohio, but throughout the Union. Cheves was furious. "The outrage," he asserted, ". . . . can be rarely paralleled under a Government of law, and, if sustained by the higher authorities of the State, strikes at the vitals of the Constitution."[3] The bank immediately instituted suits against Osborn and others for contempt, for trespass, and to recover the money seized. The legislature of Ohio interposed, and, finding that the bank would not drop its suits, passed an act in January, 1821, "to withdraw from the Bank of the United States the protection and aid of the laws of the State in certain cases," unless the bank should either consent to pay 4 per cent. of the profits from its branches in Ohio as a tax to the state, or withdraw the offices.[4] In February of the same year it passed a further act, promising to restore $90,000 out of the $100,000 seized if the bank would drop its suits and agree to pay the 4 per cent. interest henceforth, or remove the branches.[5] The bank was inflexible, and in September, 1821, the circuit court of the United States for Ohio gave judgment that the money seized should be returned to it,

[1] NILES, Vol. XVII, p. 86; 9 WHEATON, 738.

[2] A. G. Claypoole to Crawford, Sept. 17, 1819, *F.*, Vol. IV, p. 903.

[3] To Crawford, Sept. 30, 1819, *ibid.*, p. 905. It is interesting in the light of this sentence to recall that Cheves was a determined nullifier in 1832.

[4] *Statutes of Ohio*, Vol. II, pp. 1185, 1186, chap. 519, Jan. 29, 1821.

[5] *Ibid.*, pp. 1198, 1199, chap. 524, Feb. 2, 1821.

and at the same time enjoined the state from collecting the tax henceforth.[1] The defendants appealed the case to the Supreme Court, which finally disposed of it in the February term, 1824, affirming in all essential particulars the decision of the circuit court.[2]

This narrative of dispute and discord with the South and West will give some idea of the almost insuperable difficulties of the Bank of the United States, while it was slowly recovering from the shameful and criminal mismanagement of its early years. In the opinion of judges so competent as J. Q. Adams and Rufus King, "the interest of the stockholders would be to surrender their charter," the government being most interested in "the continuance of the Bank."[3] Though this was so, the government, outside of the Treasury Department, showed no inclination to extend unusual favors to the Bank of the United States. Requests to allow other officers to sign the bank's notes and to permit the election of directors eligible for longer than three years out of four were persistently denied,[4] though in the case of signing notes it was apparent that the bank could not furnish the necessary circulation without this concession.

By 1823 Cheves's work was done, and he could safely retire. Moreover, his restrictive policy, with the resulting meager profits, aroused an opposition to him among the directors and stockholders. The latter became "restive under the low dividends" which they received.[5] It is not

[1] NILES, Vol. XXI, p. 75.

[2] Osborn *et al. vs.* the Bank of the United States, 9 WHEATON, 738. Clay, Webster, and Sergeant were counsel for the bank.

[3] ADAMS, *Memoirs*, Vol. V, pp 38, 39, March 25, 1820.

[4] See Report of the Committee of Stockholders, Nov. 5, 1819, NILES, Vol. XVII, p. 166; Bank Memorial of Dec. 7, 1821, *F.*, Vol. III, p. 586; Report of the Committee of Stockholders, Oct. 1, 1822, CHEVES, p. 10, and NILES, Vol. XXIII, p. 89.

[5] Crawford to Gallatin, May 13, 1822; ADAMS, *Gallatin's Writings*, Vol. II, p. 244; CHEVES, p. 9. See also Cheves in answer to President Cooper, Aug. 18, 1837, NILES, Vol. LIII, pp. 8, 9, quoting the Charleston *Mercury*, where Cheves paints in warm colors the embarrassments and the misery of his position because of the clamor against him.

surprising that under these circumstances he was willing to lay down the burden of the presidency. His willingness was increased by the provincial hostility of Philadelphia to him, based upon the fact that he was not a Philadelphian. As soon, therefore, as he felt himself justified in doing so, he announced his intention of resigning,[1] declaring that it was a "determination" "fixed and unchangeable," and that he had always intended to resign as soon as the bank was once more restored to its first integrity. In October, 1823, he made a succinct report of the history of his presidency, and retired from the control of the institution.

[1] Made public July 1, 1822, NILES, Vol. XXII, p. 291.

CHAPTER V.

NICHOLAS BIDDLE AND HIS POLICY, 1823–28.

In January, 1823, at the age of thirty-seven, Nicholas Biddle, a member of an old and distinguished Philadelphia family, was elected president of the bank, there being but one vote against his nomination for the office.[1] Biddle was a graduate of Princeton College, was a proficient linguist, and had been secretary to Armstrong at Paris and to Monroe at London. Returning from Europe in 1807, he had devoted himself to the law and practiced for several years. In 1811 he was elected to the Pennsylvania senate. Meanwhile he cultivated literature, contributing extensively in both prose and verse to Dennie's *Portfolio*, and editing Lewis and Clarke's *Journal* and later a *Commercial Digest*. In 1819 Monroe appointed him a government director of the Bank of the United States. Having a taste for economic subjects, and being thoroughly read in Smith, Ricardo, and the French economists, he threw himself with enthusiasm into the study of banking and monetary questions, and was soon one of the most prominent members of the board. He was a man of eminent tact, conciliatory in temper, versatile, untiringly industrious, quick of apprehension and quick to act, strong-willed and tenacious of his own opinions. His prominent fault was the possession of an over-sanguine temper. On the whole, it would have been difficult to secure a more capable man for the position.

Immediately upon his election, Biddle was advised by Robert Lenox, of New York, a conservative merchant of the first standing and a trusted director of both the first and

[1] Niles, Vol. XXIII, p. 209, Dec. 7, 1822.

the second banks of the United States, to select confidential advisers at the various branches, who should keep him informed of the affairs of the offices.[1] The advice was taken. Lenox himself became Biddle's most intimate and confidential adviser in regard to New York business, the affairs of the office there, and the character and ability of its officers and directors. At Boston, James Lloyd and Daniel Webster acted in a similar capacity; at Charleston, Robert Patterson and John Potter; at Baltimore, John McKim, Jr., Robert Oliver, and R. L. Colt — men who had been prominent in rescuing the office in that city from the destroying grasp of Buchanan.[2]

It is commonly asserted that Biddle represented a new and radical policy as against the conservative system pursued by Cheves, the intimation being that he was inclined to rash and unsound banking. There is no evidence whatever for this opinion, and none could be more mistaken. That he represented a new policy may be conceded, but it was far from being radical, and in some instances it appears even more conservative than that previously obtaining. In two important respects he differed materially in opinion from Cheves: He believed that the rule compelling the supersession of a director for one year, after he had sat consecutively for three years, was an excellent one, because it furnished a means of excluding an objectionable member of the board without arousing his enmity; while, in case of a desirable director, the seat could be held for a year by some relative, friend, or member of the same firm, the director returning to the board at the expiration of the year.[3] He also believed, as against Cheves, that the receipt of all the

[1] Feb. 6, 1823, *B. P.*

[2] For an acknowledgment of this aid rendered by Oliver and McKim see CHEVES, p. 18. Colt was his trusted agent at Baltimore.—HASKELL, "Langdon Cheves and the United States Bank," *Report American Historical Association*, 1896, Vol. I, p. 366.

[3] Biddle to Gallatin, July 29, 1830, *President's Letter Book*, Vol. III, p. 306.

notes of the bank everywhere in payment of the government revenue need not be restrictive of the bank's transactions.[1] In neither instance could the difference of opinion be regarded as wildly radical.

On the contrary, Biddle in the early years of his presidency proved himself thoroughly conservative. In one of his first official letters as president of the corporation he shows this clearly: "We have had enough," he wrote, "and more than enough of banking in the interior. We have been crippled and almost destroyed by it. It is time to concentrate our business — to bank where there is some use and some profit in it, ... to make at present the large commercial cities the principal scene of our operations."[2] Nothing could be less radical or revolutionary than this. The perilous western and southern business was to be surrendered, and the capital of the bank employed where its employment would be most useful and safe — in the large cities along the Atlantic coast. In pursuance of this plan, the office at New York was made the center of extensive operations, being instructed to secure all the good paper it possibly could, while the funds of the bank were so managed as to protect it against inimical action by state banks and brokers.[3] To make this possible, the office was to cease the issue of state-bank notes, using its own exclusively; to reduce the balances of the city banks due to it, and compel them to settle all their debts in specie at least once a week.[4] The plan of operations thus outlined for the New York

[1] Report of Committee of Stockholders, Sept. 1, 1828, NILES, Vol. XXXV, p. 74.

[2] To R. Lenox, Feb. 3, 1823, *P. L. B.*, Vol. I, p. 5 (confidential).

[3] *Ibid.*

[4] That office has "for nearly a year been occupied chiefly in Banking at second hand on the notes of the State Banks who have of course been largely their debtors. This is a state of things not to be tolerated, and accordingly an effort has been directed, to discontinue the special deposit of State Bank paper, to cause weekly settlements with the State Banks, and then, when this operation combined with the return of the season of business shall have produced its proper effect on the exchanges, to remit it in payment of their Northern debts. While this movement is going on we wish to keep the office strong till the crisis is over."— Biddle to John White, of Baltimore, Feb. 19, 1823, *ibid.*, Vol. I, p. 11.

office was consistently pursued, in spite of the pertinacious and bitter resistance of the New York banks, which opposed particularly the plan of weekly liquidation of balances.[1]

While a more extensive business was being created at New York, the exchange operations at the New Orleans office were placed upon a sounder footing. Of all the offices, this did the most considerable amount of business, especially in exchange, and was the center of all the banking operations of the West and Southwest. The exchange operations here had been conducted in such a manner as to be almost unprofitable, while the same accommodations might be rendered to individuals at the New York office, if it were strengthened and provided with funds from the New Orleans branch.[2] In other words, Biddle wished to unify completely the various business centers of the bank.

Biddle's management during his entire presidency turned around these two measures of collecting state-bank balances and issuing the bank's own notes. His plans for increasing business were all based upon an enlargement of the issues—by means of which the greater part of the discounts was necessarily made at that day. Since Cheves had believed the issues dangerous, because they were received everywhere in payments to the government and thus would, in his opinion, compel the retention of a specie fund much larger than the total note circulation, the bank had hitherto been

[1] R. Lenox to Biddle, Feb. 21, 1823, *B. P.* Biddle to I. Lawrence, of New York, Jan. 6, 1824, *P. L. B.*, Vol. I, p. 96.

[2] "We have made also a vigorous effort to correct the exchange operations of the New Orleans office which during the last year were conducted on principles equally unsound and unprofitable. . . . . For instance the office at New York collects on New Orleans at 3 per cent. But as the exchange is now conducted the office at New Orleans repays it in 60 or 90 day bills at par without interest. Allowing them the 30 days for transmission, the 60 day bills are in fact at ½ and the 90 day bills at 2. So that really the profit is scarcely a compensation for the risk and trouble, even when you receive your funds back immediately." Sometimes they remain "for a considerable time at New Orleans."—Biddle to White, of Baltimore, Feb. 19, 1823, *ibid.*, p. 11.

accustomed, when making discounts, to issue the notes of state banks instead of presenting them for collection. The result was undesirable in several ways: the bank furnished little currency to the West and South; a very necessary check upon the state banks was removed; the bank was deprived of the profits accruing from the circulation of notes; and the adequate increase of discounts was rendered impossible. In Biddle's plan of operations the fundamental consideration, therefore, was the increase of the bank's circulation. He believed that the notes might safely be issued, despite the necessity of paying them everywhere on government account, if only he could put an end to the depreciation of state-bank notes. This was logical, for, if state-bank notes were undepreciated, the bank's issues in the localities of state banks would not be employed as bills of exchange, and would not constantly be presented for specie almost as soon as issued. The state banks would, in brief, be compelled to bear their share of specie demands. Biddle insisted, therefore, on the constant settlement of state-bank balances, and on the issue of the bank's own notes instead of those of state banks.[1] When this was done, the branches might receive each other's notes without hesitation, and from 1823 the notes were received much more freely than formerly. At Philadelphia the issues of all the branches were indiscriminately[2] taken.

At the same moment, therefore, that these methods were applied at New York, they went into effect also at Philadelphia,[3] Richmond, Savannah, and Charleston,[4] and by August, 1825, Washington was the only office not conducted

[1] Report of Stockholders' Committee, Sept. 1, 1828, NILES, Vol. XXXV, p. 74.

[2] GOUGE (Cobbett's edition), p. 136.

[3] "Every morning the clerks from the Bank and the State Banks meet to interchange the notes received respectively on the previous day. The Balances are struck accordingly — but no Bank ever calculated on its Balance remaining for any length of time, and whenever it grows a little too large, no Bank ever hesitated to send for ten or fifteen or twenty thousand dollars from its debtors."— Biddle to C. P. White, of New York, Feb. 3, 1823, *P. L. B.*, Vol. I, p. 6.

[4] Biddle to C. J. Nichols, cashier Richmond office, *ibid.*, Vol. I, pp. 38-41.

on this plan. In that year it was established there.[1] The attempt was not wholly successful, however, and the central authorities were compelled on several occasions to call the attention of the officers to the regulations regarding the issue of state-bank notes.[2] The reasons for the partial failure is found in the inability of the president and cashier to sign sufficient notes for the offices. The problem was finally solved by the creation of "branch drafts."

With the policy of issuing only the notes of the branches went a plan for expanding the discounts and purchase of bills of domestic exchange in the South and West instead of discounting on personal security there.[3] This operation was the complemental part of the plan for increasing the business of the bank in the interior of the country. The issue of the branch notes and the purchase of exchange were operations depending upon and supporting each other.[4] The proceeds from the bills provided a fund for the redemption of the note issues of the southern and western offices, and thus made possible extensive loans in those sections without incurring the danger of transferring the capital thither from the other offices. On the whole, the success was encouraging. The note circulation at the beginning of Biddle's presidency was only $4,432,000; in June, 1825, it was $6,740,000, and in June, 1826, $9,616,000. Meanwhile the operations of the bank were enlarged in every other item.

[1] "I am very anxious that it should go into operation with you, as it has done everywhere else without inconvenience and as far as possible without prodncing any excitement."—Biddle to R. Smith, Aug. 26, 1825, *P. L. B.*, Vol. II, p. 42.

[2] Aug. 29, 1825, Biddle says that he hears that the Charleston office pays out state-bank notes, and that this must not be done.—To President J. Johnson, *ibid.*, p. 43. In Jan., 1827, the same difficulty existed at the Pittburg office.—Correy to McIlvaine, Jan. 15, 1827, *B. P.*

[3] Increased profits due to "measures of the bank which had for their object the augmented circulation of its notes, the increase of private deposites, and the extensive purchase of domestic exchange, in which a part of this circulation was beneficially employed in the southern and western parts of the union."—See Remarks of Binney at Triennial Meeting of Stockholders, Sept. 1, 1825, NILES, Vol. XXIX, pp. 31, 32, Sept. 10, 1825.

[4] Report of the Committee of Stockholders, Sept. 1, 1828, NILES, Vol. XXXV, p. 74.

The increase of private deposits was between two and three millions by September, 1825. The discounts on notes and domestic bills had increased to about the same extent, while a debt of $1,292,000 due in Europe had been discharged.[1]

The attempt to secure a larger circulation was intimately connected, as already pointed out, with the plan to diminish the issues of the state banks. It was one of the cardinal doctrines in Biddle's banking creed that the big corporation existed for the purpose of furnishing a sound currency to the whole Union, and that this could be done only by forcing the state banks to redeem their issues in specie on demand. The bank was to secure this end by keeping itself in the position of a creditor bank. Usually it maintained this relation without difficulty, and, on the slightest appearance of a tendency in a state bank to expand unduly, checked the movement by demanding specie for its notes, though sometimes it failed to keep its own dealings within bounds, and at such times could not restrain the state banks. On the whole, however, despite the growth of the population, the increase of business, and the necessarily enlarged and legitimate demands for banking facilities, the state banks were compelled to redeem their notes frequently, and the currency showed a progressive improvement, which was very encouraging to all who had the good of the country at heart. This the directors of the Bank of the United States always claimed and justly claimed, to be due to its efforts.[2]

Biddle's conservatism and ability as a banker are also revealed in the stress which he constantly laid upon the nature of the paper which was to be discounted by the bank. The loans were to be for short dates, and only on good commercial paper. The New York office was instructed to loan

[1] Report to the Stockholders, triennial meeting, Sept. 1, 1825, NILES, Vol. XXIX, p. 32.

[2] McDuffie's report and Gallatin's article lay stress upon this feature of the bank's benefits to the community. See Report of Stockholders, Sept. 1, 1828, NILES, Vol. XXV, p. 74.

on paper at only 60 and 90 days, though it might take notes at 120 days if "beyond all exception, and for a good customer."[1] In 1825 the same directions are given, in answer to a request of the president of the branch to be permitted to extend the time of discount because he felt sure that larger profits could thus be secured. "Let us not," urged Biddle, "by the hope of doing better or getting more business risk the prosperity and safety of the Institution."[2] Loans must be confined to short-time paper, even when demands for money were slack.[3] Loans on real estate or stock security were forbidden, real estate not being fit banking security, and stock loans having a "tendency to lock up the funds of the Institution."[4] "All the movements of the bank," asserted Biddle, "are governed by this general consideration."[5] He declined making a long loan to a senator from Louisiana,[6] and in 1827 he refused a long loan on real estate to an old and intimate friend, who had been a trusted director of the bank and of the Baltimore office. "In relation to the loan you suggest," he wrote, "I am satisfied that it would not be done here. Our great object is business men and business paper. We have so large a part of the capital of the Bank locked up in real estate that we are obliged to keep every dollar we can in a state of activity—and I do not believe that a loan for eighteen months, however well secured would be done for any body."[7] The evidence is conclusive that no amount of pressure, no considerations of gain, no ties of friendship, could persuade Biddle in these first years of his presidency

1 Biddle to Lawrence, Oct. 13, 1823, *P. L. B.*, Vol. I, p. 55.

2 Same to same, May 12, 1825, *ibid.*, Vol. II, p. 22.

3 To the president of the Hartford branch, *ibid.*, pp. 26, 27.

4 To Lawrence, Oct. 13, 1823, *ibid.*, Vol. I, p. 55.

5 To the president of the Hartford office, *ibid.*, Vol. II, pp. 26, 27.

6 Jan. 9, 1826.—*Ibid.*, *circa* 90.

7 To John McKim, Jr., of Baltimore, Jan. 9, 1827, *ibid.*, p. 231.

to swerve from an eminently safe and conservative course of banking.[1]

Equally conservative was Biddle's management in other respects. He repelled a proposition to erect small committees to make a certain class of loans, instead of leaving all discounting to the board. The bank, he declared, had lost much by "irregular discounting," and it was advisable not to risk repeating the loss by creating the facilities for making such loans.[2] He also made it a cardinal point of his policy to get rid of directors who were "large or habitual borrowers." It was difficult to refuse them accommodations while they remained on the directorates, and consequently the only alternative was to exclude them, which was consistently done.[3]

The crux of successful management lay, however, rather in controlling the offices, keeping them under a close supervision, while allowing them to engage freely in banking operations. Cheves's method of solving the problem had been to restrict their business, in many cases almost completely. While no loss could accrue with such a plan, the Bank of the United States might almost as well have been non-existent, so far as the West and Southwest were concerned. Biddle justly regarded this situation as intolerable, and the bank an admitted failure if it could not be remedied. Consequently he evolved new and stricter measures of control for the branches preparatory to allowing them to increase their business. When the directors were to be chosen for the offices, he dispatched letters to his intimate friends and advisers in the neighborhood of the offices,

1 In the case of New York this policy was relaxed for a short period in the spring of 1827, the office being allowed to discount at six months. Lenox objected even to this.—To Biddle, Dec. 20, 1827, *B. P.;* Biddle to Lenox, Dec. 27, 1827, *P. L. B.*, Vol. II, p. 329.

2 To William Gray, president Boston office, 1823, *B. P.*

3 To James Lloyd, Feb. 16, 1825, *P. L. B.*, Vol. I, p. 209; to Cadwalader, July 26, 1826, *B. P.*

soliciting advice as to the situation of the offices, and particularly as to the condition of the vacancies. The presidents and cashiers of the branches were likewise called upon for information, their recommendations being given especial weight, since it was a point of prime importance that a branch board should act in friendly conjunction with its executive officers. In case a new president was to be elected at a branch, the central board undertook to designate the individual of its choice by placing his name at the head of the list of directors forwarded to the office. Though the election of the branch president was by charter provision exclusively in the control of the branch directorate, the intimation of the central board was very rarely neglected. The matter was of considerable importance, since it gave the bank a surer control of its offices and secured presidents who had the confidence of the board at Philadelphia.[1]

In 1825[2] Biddle evolved still another plan for strengthening the branch directorates and checking any tendency to perilous vagaries in business. This consisted in empowering the directors of the parent board resident in cities where branches existed to sit at the local boards, with the right to advise and discuss, though not to vote.[3] Naturally a director so situated, acting as the agent of the central board, scrutinized keenly the methods of the local directorate, the loans made, and the policy pursued. The advan-

[1] "From the organization of the institution, the president of an office is necessarily charged by the Parent Board with the general superintendence of its affairs, he is chiefly relied on by the parent Board in selecting the other Directors of the office, he is in fact a confidential officer of the parent Board. In any estimate then of the qualifications of candidates for the Office, his acceptability to the parent Board with whom he is at once to contract relations of very intimate confidence, is a circumstance to which some weight may naturally be attached."—Biddle to William Wirt, Jan. 30, 1824, *P. L. B.*, Vol. I, p. 121; also Biddle to S. Wheaton, of Providence, Sept. 19, 1826, *ibid.*, Vol. III, p. 183.

[2] Biddle to Lawrence, June 13, 1834, *ibid.*, Vol. V, p. 229.

[3] "But for the last few years the practice and an excellent one it is, has been for the Parent Directors to sit at the office Board as regularly as if they were members of it—and do every thing but vote."—Biddle to George Hoffman, of Baltimore, Oct. 27, 1829, *ibid.*, Vol. III, p. 79.

tages accruing from this plan were most marked at the large offices of the East and South, since non-resident directors of the central board were almost invariably selected at these places.

The authority of the central board was further strengthened by clearly defining, while enlarging, the functions of the branch cashier. "My own theory of the administration of the Bank," wrote Biddle, "and my uniform practice, is to consider the Cashier of an Office, as the confidential officer of this Board, to rely on him and to hold him responsible for the execution of their orders;" he must obey orders from Philadelphia even to the extent of disobeying the local board, if necessary,[1] and he must keep both the central office and the other branches thoroughly informed of those transactions which it was to their interest to know.[2] Better branch cashiers were also secured by selecting all the new appointees from among the trusted, thoroughly known officials who had been trained at the bank in Philadelphia. Such cashiers were intimately acquainted with the policy and machinery of the bank; their honesty had been tested; their characters were known; they were not open to the temptation of making loans to assist friends and relatives, since they had neither friends nor relatives in the localities in which they were settled.[3] They were likely to obey

1 Biddle to C. L. West, cashier at New Orleans, May 17, 1823, *ibid.*, Vol. I, p. 27.

2 "Since you were in the Bank before, its discipline is much improved and we are in the habit of receiving and requiring from all its officers constant and frequent communications. These are essential to the good administration of the Bank—the basis of all our measures being of course accurate knowledge of facts. . . . . My present purpose is to invite your attention to a constant and regular correspondence which cannot be too frequent and detailed."—Biddle to George Poe, of Mobile, Jan. 10, 1827, *ibid.*, Vol. II, pp. 233, 234.

3 "The Policy of the Bank has been in the appointment of confidential officers to live at a distance and to execute such important trusts to take in preference Officers brought up in the Bank under our own eye whose character and conduct were known to us, and afford the best guarantee of their capacity to carry into effect the system of the Bank with which they are familiar. I have long been satisfied that this is the true policy of the Bank and I think it will be pursued in case a Branch is established at Portland. The observation applies of course only to the cashier. The other officers are appointed by the Directors of the Branch."—Biddle to John

orders promptly and to keep a careful lookout for the general interests of the bank, since they knew that future promotion depended upon the officials at Philadelphia and not upon the local directorates. To diminish still further the temptation of the cashier to act as the mere creature of the local board, that officer was forbidden to borrow from the offices. The same prohibition applied to the subordinate officials as well.[1] These rules were correct, and their results were excellent. Before their adoption the bank had suffered severely from the peculations of branch cashiers and other officials,[2] as well as from the tendency of these to act with the local boards in making objectionable loans. It was found, too, that variations from these rules during Biddle's administration resulted disastrously.[3]

Further means of securing complete control of the offices were devised by the creation of two assistant cashiers in February, 1826. The first of these was to supervise the business of the branches, especially to secure a knowledge "of the accounts between the offices," of which the bank had never before possessed sufficient information, and to superintend the exchange business. This officer was to keep up a constant correspondence with the branches and make frequent trips of inspection.[4] The other assistant cashier was to take charge of the suspended debt of the bank and of the bank's real estate.[5] The reports of the bank show that the

P. Boyd, of Boston, Nov. 23, 1826, *P. L. B.*, Vol. II, p. 209; same to John McKim, of Baltimore, Dec. 26, 1826, *ibid.*, pp. 219, 220. In letter to Baltimore Biddle points out that the cashier's being without "connexions" is "a positive recommendation."

1 John Potter to Biddle, Charleston, Feb. 27, 1827, *B. P.*

2 Cases in point were at Baltimore, Richmond, New Orleans, and Middletown.

3 The Nashville cashier was appointed from the neighborhood, and the Nashville branch was the center of bad banking in the West.

4 "Again, we have never had a sufficient knowledge of the accounts between the offices. . . . . We wish to examine these accounts, and we wish also to have our Exchange business particularly well managed. We have therefore appointed another officer for these two purposes."—Biddle to John McKim, Jr., of Baltimore, March 14, 1826, *P. L. B.*, Vol. II, p. 140.

5 *Ibid.* See Appendix III, *Rules and Regulations of the Bank*, rules 19, 20.

suspended debt and real estate were carefully and profitably managed, while the Biddle correspondence proves that the duties of the assistant cashier in inspecting the branches were faithfully discharged. Biddle himself attached so "much importance" to thorough inspection that on several occasions he took tedious trips through the country in order personally to inspect the branches.[1]

To secure thorough supervision it was necessary to have at Philadelphia a cashier watchful, completely informed, and energetic, since this officer was in closest touch with the branches. Thomas Wilson, who had been cashier since 1820, was apparently superannuated ; at any rate, he did not give complete satisfaction;[2] and therefore he was tactfully shifted to New Orleans, while in his place was appointed a younger and abler man, Mr. William McIlvaine, of Philadelphia.[3] McIlvaine was an excellent officer, thoroughly in sympathy with his head, tactful and conservative, and watchful of the interests of the bank. He remained in office until July, 1832, when he resigned.

These various measures resulted in diminishing very materially the amount of fraud which had been practiced upon the bank, and in securing much better business methods, and above all they made possible the adoption of a policy of expansion in the bank's business.

Biddle laid particular stress upon the accumulation of a surplus. Since Cheves's entire administration had been devoted

[1] "I am about leaving Philadelphia in a day or two to accomplish what I have wanted to do for three years but could never find leisure. I mean a personal inspection of the offices. I shall begin with those in the North which are easy of access, and the more distant offices will be afterwards inspected by some of our own Officers —I attach much importance to this measure and will endeavor to execute it thoroughly."—Biddle to J. Potter, of Princeton, July 26, 1826, *P. L. B.*, Vol. II, p. 179. Other trips were taken in 1829. Cadwalader and Colt visited western offices.—Biddle to Webster, Feb. 26, 1827, *ibid.*, p. 248.

[2] *H. R.* 460, 22d Cong., 1st Sess., p. 128.

[3] Wilson was transferred in January.—NILES, Vol. XXIX, p. 289; Biddle to R. Gilmor, of Baltimoro, announcing McIlvaine's election, Feb. 3, 1826, *P. L. B.*, Vol. II, p. 112.

to the task of restoring the original capital of the bank, no surplus fund had been provided. In January, 1823, according to Biddle, there was not "a dollar of reserved profits," though in his opinion it was "of the utmost importance to have some provision against current losses, so as to preserve the dividend from fluctuation."[1] From the beginning to the end of his presidency, therefore, he never ceased his efforts to accumulate a surplus that would make the bank safe and strong in all contingencies. All profits from the sale of bank stock forfeited during the troublous régime of William Jones, all collections of interest upon the suspended debts, went uniformly to this fund. By July, 1825, the surplus exceeded $550,000, and it steadily increased until at the expiration of the charter it was over $6,000,000.

Biddle's management of the bank in these early years was thoroughly tested and approved by the stringency of 1825. He always claimed that it was the action of the Bank of the United States alone which saved the country in that year from serious losses. In 1824 business was slack, and instead of putting funds into long loans, as he might profitably have done, Biddle secured government stock for which there was always a market.[2] When 1825 brought brisk demands for money, he was cautious of meeting them, arguing that "the unexpected and sudden increase of the demands for that trade . . . . requires that we should be circumspect at the present moment."[3] Watching the market and the monetary affairs of the world with intent care, he clearly foresaw the approach of the pressure of 1825 and began to prepare for it.[4] In May he wrote to Lawrence, of

[1] Biddle to James Lloyd, of Boston, July 5, 1825, *P. L. B.*, Vol. II, p. 28.

[2] Seeing that business would be slack in this year, the bank had thought it "very desirable to place as much of the funds of the Bank as possible in the late loan."—Biddle to Robert Gilmor, of Baltimore, June 23, 1824, *ibid.*, Vol. I, pp. 165–7. The bank took government loans to the extent of $10,000,000 in 1824–25.—*A. of C.*, 18th Cong., 1st Sess., Vol. II, Appendix, pp. 3228, 3229, 3249–51. Acts of May 24 and May 26.

[3] To John White, of Baltimore, April 15, 1825, *P. L. B.*, Vol II, p. 12.

[4] Instructions to President I. Lawrence of the New York office, April 22, 1825, p. 18.

New York, that the demand was the result of "wild and exaggerated speculation," and that the bank must not be carried away by it.[1] As the year passed the pressure increased, and panic began to develop. In England a commercial crisis of the most tremendous proportions carried ruin everywhere, and in the United States the alarm was so great that, according to Gouge, "one of the directors" of the Bank of the United States "talked publicly on the Exchange at Philadelphia of the expediency of suspending specie payments."[2] Whoever this director may have been, certainly the president of the bank was not of his opinion, for he had resolved to ward off any such disaster. In September the discounting of loans on a pledge of bank or government stocks was approved,[3] as giving relief to merchants holding such stocks and unable to find a market for them. Unfortunately the bank at this moment was compelled to act with extreme circumspection, because it had to expend on the 1st of October $7,000,000 of the public funds in redemption of the national debt. This brought it into debt to the state banks of Philadelphia, and thus prevented any pronounced expansion of its business. To extricate itself the bank sold large portions of its own and the government stock in its possession in order to increase its supply of specie. By the first of November it was once more the creditor of the state banks.[4] Though compelled to proceed with caution and discretion, the bank did not contract. "Solvent persons in good credit," wrote Biddle, "can get as much as they want at 6 per cent."[5] In New York, which was the center of the excessive pressure, Biddle arranged for the substitution of paper for demands made there for specie,[6] and instructed

1 *Ibid.*, p. 22, May 12, 1825.

2 GOUGE (Cobbett's edition), p. 142.

3 Biddle to Walter Bowne, of New York, Sept. 4, 1825, *P. L. B.*, Vol. II, pp. 45, 46.

4 For these details see *H. R.* 460, 22d Cong., 1st Sess., pp. 60, 61, 254, 434, 435. The amount of government stock sold by the bank in October was over $2,100,000, of its own stock, $160.054.16.

5 To Edward Jones, of Washington, Oct. 7, 1825, *P. L. B.*, Vol. II, p. 56.

6 *H. R.* 460, 22d Cong., 1st Sess., p. 435.

the office at that place to increase its loans,[1] which was done immediately to the extent of $50,000.[2] This wise policy was continued throughout the rest of the year,[3] being deliberately adopted as the most effective method of quieting alarm.[4] It must always be a tribute to Nicholas Biddle's skill and foresight, his conservatism and enlightenment, that at the moment aid was needed the Bank of the United States was able to render it. It had pursued in previous years a sober and conservative plan of operations; its ~~loans~~ were out on short paper, its supply of specie was large, its means were completely at its disposal, and its credit was unshaken.[5]

It will be remembered that Cheves had reduced the bank's capital by retaining the shares of its stock which had been surrendered in 1819, and that he had advised the continuance of this policy with the object of permanently reducing the bank's capital by three or four millions. This was one of the questions on which a difference of opinion prevailed, and a party among the stockholders wished to sell the stock in order to increase the active capital of the bank, which they considered too reduced, because over $11,000,000 were tied up in suspended debts and real estate. In 1824 Biddle was urged by some of the officials of the bank to part with this stock, but declined, since he agreed with Cheves that the bank had no use for the capital at that time, because

[1] Biddle to I. Lawrence, Nov. 22, 1825, *H. R.* 460, 22d Cong., 1st Sess., pp. 436, 437.

[2] I. Lawrence to Biddle, Nov. 23, 1825, *ibid.*, p. 437.

[3] "It is our desire to do everything which we possibly can to give relief to both [*i. e.*, the banks and the community in New York]. . . . . there is not so much a want of money, as of confidence."—Biddle to R. Lenox, Dec. 7, 1825, *P. L. B.*, Vol. II, pp. 76, 77.

[4] "I then thought, and still think, that this measure, the increase of the loans of the bank, in the face of an approaching panic, could alone have averted the same consequences, which, in a few days afterwards, were operating with such fatal effect upon England."—Biddle to Investigating Committee of 1832, *H. R.* 460, 22d Cong., 1st Sess., p. 435; also Biddle to A. Dickins, Nov. 30, 1828, *P. L. B.*, Vol. II, p. 443.

[5] In March active loans were $31,668,000; May, $33,992,000; July, $33,531,000; September, $33,094,000; October, $33,400,000; December, $32,329,000; holdings of United States funded stock increased from $18,400,000 in March to $20,738,000 in July and were at $18,600,000 in December; circulation increased from $6,977,000 in March to $9,542,000 in October; and specie fell from $5,782,000 to $4,544,000.

the stock was not sufficiently appreciated, and because the bank wanted to take a government loan and would need the funds from the sale of the forfeited stock to pay for it.[1] The transaction then would be doubly profitable, since one profit could be secured on the sale of the stock and another on the purchase of government bonds; it would, moreover, obviate the danger of having too large a capital, since the government stock would replace the bank stock sold and the necessity of extending discounts would not arise. In 1824–25 the bank secured $10,000,000 in government stock and began the sale of its own forfeited shares. Most of the sales took place in the first six months of 1825, when the market was very favorable, the stock selling at 119. The profits from the sales up to July, 1825, aggregated $481,000.[2]

In 1827 business was slack once more, and again Biddle attempted to secure a government loan.[3] This time he was not successful, and as a consequence the board permitted loans on six-months' paper. This was a mistake and was inconsistent with Biddle's past policy. There was constant pressure, however, for an increase in the dividends, many of the stockholders being much dissatisfied with their smallness and criticising harshly the conservative policy of the bank's management.[4] Whether or not these considerations influenced the president cannot be said, but it can be stated with certainty that he would have done better had he

1 Biddle to John White, of Baltimore, Feb. 27, 1824, *P. L. B.*, Vol. II, pp. 129, 130.

2 Biddle to James Lloyd, July 5, 1825, *ibid.*, p. 28. From June 14, 1824, to Dec. 5, 1829, the proceeds of stock sold were $4,645,859.16, the average rate per share was $117,548, and the profits were $693,559.16.—*H. R.* 460, 21st Cong., 1st Sess., pp. 252-5, 294.

3 Biddle to N. Silsbee, Feb. 19, 1827, *P. L. B.*, Vol. II, pp. 241-3; to Webster, Feb. 23, *ibid.*, pp. 244-6.

4 In 1825 a combination was formed to remove Biddle and get a new board which would pay larger dividends. It amounted to nothing, but Biddle's informant, a trusted friend, gave it as his opinion that the dividends should be increased.—Bowne to Biddle, New York, June 28, 1825, *B. P.* In 1828 a stockholder at Baltimore wrote: "You are doubtless aware of the opposition to your administration of the affairs of the Bank over which you preside, which has recently manifested itself in your city,

persisted in the policy of declining all long loans, as he had done in 1824. The year 1828 was again one of pressure, and this time the corporation was not so well prepared to meet the situation as it had been in 1825. On the contrary, the board had to refuse accommodations, and Biddle gave reasons for its refusal which were not particularly laudable in the man who prided himself upon relieving the stringency in 1825 by the enlightened method of granting loans freely to all who could furnish good securities. His principal reason was that the banks had loaned too much,[1] and there can be no doubt that the Bank of the United States must be included among the delinquents. To save itself, therefore, it had to restrict its dealings at the very moment it should have expanded them, and inaugurated a contraction lasting from the 12th of February[2] until the 1st of May.[3]

The success of Biddle's management from 1823 to 1828 is revealed in the monthly returns of the bank. On the first of January, 1823, the total investments were $41,754,000, and on the same date in 1828, $51,307,000, an increase of over $9,500,000. Of the total, United States funded debt comprised $11,000,000 at the first date, $17,624,000 at the last, so that the increase in discounts was less than $3,000,-000—not at all excessive when the contemporaneous growth in population and trade is considered. Circulation increased in a larger ratio, the amount more than doubling: on January 1, 1823, it was only $4,432,000, and on January 1, 1828,

New York and elsewhere. The stockholders are under the impression that your object is to keep in check the State Banks, and to regulate the currency of the country *at their cost.*—This they say may not be inconvenient to you, while you receive the salary of President of the Bank, but it does not suit them." He then advises Biddle to declare a dividend of 3½ per cent.— June 17, 1828, *B. P.*

1 Article by Biddle in *National Gazette*, of Philadelphia, April 10, 1828. See, for extracts, GOUGE (Cobbett's edition), pp. 150-56.

2 Biddle to Lenox, Feb. 12, 1828, *P. L. B.*, Vol. II, p. 344.

3 Same to same, April 27, 1828, *ibid*, p. 381. The monthly reports show no contraction. The explanation is that the demand for loans was so excessive that to get relief an expansion would have been necessary.

$9,855,677. The deposits of individuals rose from $3,372,000 to $6,142,000; while the holdings of specie mounted from $4,424,000 to $6,170,000. By July, 1828, the annual income of the bank had been increased $823,312 over its income in 1822, an amount representing profits on $21,000,000, which had been secured, first, by the sale of the bank's stock and the investment of the funds in a more productive form, and, secondly, by the enlargement of the bank's circulation and consequent dealings in exchange. The suspended debt had been reduced from over $9,000,000 to $7,109,009. The surplus had grown from nothing to $1,500,000; the semi-annual dividends from 2½ to 3½ per cent.; the western offices had been so carefully managed that the arrears of interest paid annually $111,000. It was with justice that the stockholders in 1828 looked upon the result as a "signal triumph."[1]

The most notable increase in the transactions of the bank during this period are to be found in the dealings in exchange. Foreign exchange was of little consequence until 1826, when it began to develop. The profits from foreign exchange in the first six months of that year were $60,000,[2] and this was about the average rate of profits thenceforth,[3] the trade taking its final form in 1827–28.[4] The extensive dealings in foreign exchange were based upon the sale of southern produce, particularly cotton. As a consequence of the cotton trade the bank was a large buyer of foreign bills in the South and a large seller of them in the North.[5] This kept the exchange with England fairly level, and Biddle claimed that the dealings were "less important

[1] Report of the Committee of Stockholders, Sept. 1, 1828, NILES, Vol. XXXV, pp. 74, 75.

[2] Biddle to P. P. F. Degrand, of Boston, June 22, 1826, *P. L. B.*, Vol. II, p. 172.

[3] Biddle to Gallatin, July 29, 1830, *ibid.*, Vol. III, p. 308.

[4] Same to same, Nov. 15, 1830, *ibid.*, p. 393.

[5] Same to same, July 29, 1830, *ibid.*, p. 308.

by far as a source of profit, than as a great engine for protecting the currency from ruinous fluctuations."[1] Undoubtedly there was much of truth in this claim, but, truth or not, it is certain that from the year 1827 the Bank of the United States virtually controlled the foreign exchange market, being able by the plan of buying bills in the South and selling bills in the North—in other words, through its branch-bank system—to drive out all competition. This was the source of much dissatisfaction among bankers and brokers who had hitherto drawn a considerable portion of their profits from dealings in foreign exchange.[2] One of the most efficient causes of the bank's unpopularity with the local banks in the large business centers arose from this condition of affairs, and frequent charges were made that the bank manipulated the market for the purpose of increasing its profits and driving out its competitors. These assertions do not appear to rest on any basis, and may be disregarded. The bank's dealings in foreign exchange were much expanded by the selling of bills for the China trade, and were effective in stopping the export of specie to the East Indies and to China.[3]

The dealings in inland exchange also increased very considerably. In January, 1823, they were only $1,940,000, while in January, 1828, they were $5,022,000. Here is revealed at once Biddle's method of augmenting the bank's discount business, for three-quarters of this augmentation is plainly apparent in these figures. The increase took place mostly in the West and South. The total discounts of bills of inland exchange from July, 1827, to July, 1828, were $22,084,222, and the profits $451,203.17, as against profits in 1822 of $95,240.25.[4]

The period 1823–28 was one both of conservative and of

[1] Biddle to Gallatin, July 29, 1830, *P. L. B.*, Vol. III, p. 308. [2] *Ibid.*

[3] Biddle to T. Pitkin, Feb. 4, 1835, *B. P.* The sale of India bills began in 1825.

[4] Report of the Committee of Stockholders, Sept. 1, 1828, NILES, Vol. XXXV, p. 74.

successful banking on the part of the Bank of the United States; the affairs of the institution were carefully managed; it extended its dealings considerably; it checked the tendencies of the state banks to do unsound business; it put an end to most of the depreciated state-bank currencies; it was fairly popular; its dealings with the government were on the best footing; it gave the nation a better currency than the country ever before had; and it had finally reached the point in public opinion where it was considered necessary for the uses both of the government and of the people.

CHAPTER VI.

THE BRANCH DRAFTS.

THE means employed by Biddle to suppress the depreciated currencies of the South and West, making the currency of the United States fairly sound and uniform, and thus giving the Bank of the United States a preponderating share in the business of those sections, have been detailed. Complete success, however, did not attend these measures until the introduction of "branch drafts," as they were called. These did not in any single respect affect the measures already adopted, but simply supplied the means of executing them.[1]

It will be remembered that Biddle had never believed that the charter provision for receiving the branch notes everywhere in payment to the government was a defect, nor indeed that such a usage would be perilous if extended in a large measure to individuals. He was thoroughly persuaded that the bank could deal extensively in the West and South, provided only that some safe means were discovered by which the offices in those sections could be prevented from attracting to themselves an undue share of the bank's capital; in other words, provided that some method was found whereby the branches furnished the funds when they issued their notes for the payment of their notes. He very early concluded that he had found the solution of the problem in

[1] Biddle was always proud of his "system," in which the drafts were the crowning measure. "Among the documents furnished Mr. Tyler was one showing the change in the policy of the Bank made by myself which led to the full development of its powers and its usefulness. It is a very curious and a very authentic document and interests me specially because really the change of the system made the Bank what it has been for the ten years past, and is my peculiar work. I should like that matter explained to the country by your Committee, so as to become historical and I will thank you therefore to take charge of it."—Biddle to Webster, Dec. 8, 1834, *P. L. B.*, Vol. V, p. 284.

the purchase of bills of domestic exchange which should be payable in those centers to which the notes naturally gravitated.[1] The bills bought were to be drawn on New Orleans or the Atlantic cities at short dates, so that they might come to maturity and be paid at these places simultaneously with the notes.[2] The plan was an excellent one, and could produce no embarrassments, provided the bills of exchange were promptly paid.

Even before the system was elaborated, however, it was painfully evident that the bank did not possess the means of executing it. By the terms of the charter all its notes had to be signed by its president and countersigned by its cashier, and these officers could not possibly sign a sufficient amount of small notes to supply the branches with the necessary currency. Consequently Biddle's plans could not succeed in the first years of his administration. By 1828 the South and West were almost destitute of notes of the bank. The whole amount of five-dollar notes issued up to that year equaled only $1,576,000. Several offices were almost entirely without notes of the smaller denominations: "Portsmouth had on hand only 2 notes of $5;

[1] "The question which has always been, and still is one of the greatest difficulties in the administration of the bank is this of its circulation." The difficulty arose from the necessity of redeeming all the bank's notes at every office, no matter where issued, in dealings with the government, this giving rise to fears of embarrassment to the institution. "It was afterwards considered worthy of trial, whether the difficulty might not be surmounted by a large participation in domestic exchanges; which, besides its other advantages, might enable the bank to be always provided with a fund, which, being in fact created out of these issues, would accompany and sustain them."—BIDDLE, *H. R.* 460, 22d Cong., 1st Sess., p. 321. See also Triennial Report for 1831, NILES, Vol. XLI, pp. 113 ff.

[2] "When the branch at New Orleans issues its notes, it does it to various persons, and for different objects. . . . . If these notes, however, are issued in payments for bills on the north, these bills are sent to the northern branches, and, being there paid, await the arrival of the period when the notes, having performed the functions of a circulating medium, are brought in the course of trade to the Atlantic offices, where they are met by the proceeds of the bills for which they were given; or, finally, if these notes are issued in New Orleans in the purchase of exchange, based on the exportation of produce to Europe, the bills of exchange drawn by the bank upon the European houses to which the bills from New Orleans are remitted, provide the fund to meet the notes of the branch at New Orleans, originally issued in the purchase of them."—*H. R.* 460, 22d Cong., 1st Sess., p. 321.

Providence only 8;" and Louisville was "without a single five dollar note." All the offices together had only $100,000 in five-dollar notes, and $500,000 in ten-dollar notes.[1]

As this difficulty had existed from the first, there had been frequent attempts to escape it by petitioning Congress for permission to have signers of the notes other than the president and cashier. The bank first applied in January, 1818.[2] The Senate passed a bill authorizing the appointment of a vice-president and deputy cashier for the purpose,[3] but the bill was indefinitely postponed in the House at the third reading. After Cheves became president a second memorial was presented.[4] Again a bill was prepared in the Senate, empowering the appointment of an agent and a registrar to sign the notes,[5] and passed there in February, 1821;[6] and again it failed in the House after being twice read.[7] A third memorial was presented in December, 1821,[8] and a bill was offered in the Senate, failing there by a vote of 23 to 19.[9] A fourth memorial, in 1823,[10] was never acted upon by the Senate, but a House committee reported favorably.[11] Nothing, however, was done.

The difficulty of signing sufficient notes became greater and greater as time passed, since many of them became worn out and had to be destroyed. From February 2, 1826, to January 21, 1827, over $2,800,000 were thus retired from circulation.[12] Cashier McIlvaine declared that the labor of signing notes was intolerable, that sufficient could not be

1 Biddle to Secretary Rush, Jan. 10, 1828, *H. R.* 460, 22d Cong., 1st Sess., pp. 53, 54.

2 *Ibid.*, p. 49. Memorial presented Jan. 13, 1818, *A. of C.*, 15th Cong., 1st Sess., Vol. I, p. 710; reported favorably Jan. 20, *ibid.*, p. 792.

3 April 14, 1818, *ibid.*, p. 365.

4 Dec. 1, 1820, *ibid.*, 16th Cong., 2d Sess., Vol. III, p. 29.

5 Dec. 20, *ibid.*, p. 127.

6 *Ibid.*, p. 360.

7 *Ibid.*, p. 1193.

8 Dec. 27, *ibid.*, 17th Cong., 1st Sess., Vol. I, p. 40.

9 March 14, 1822, *ibid.*, p. 291.

10 Presented Jan. 27, 1823, *ibid.*, 2d Sess., Vol. III, p. 156; in the House, Jan. 28, *ibid.*, p. 713.

11 Feb. 27, *ibid.*, pp. 1134 ff.

12 McIlvaine to Biddle, Jan. 22, 1827, *B. P.*

supplied in any case, and that he would resign rather than continue in office under such harsh conditions. "The destruction is now so rapid," he wrote, "that our circulation and specie must soon balance each other and leave us without profit from a quarter where we ought to have the most."[1] The directors, therefore, returned to the project of securing congressional consent to the appointment of additional signers. Biddle, writing to Webster in 1826, gave it as his opinion that the charter as it stood would permit other signers, but added that he "would like to have an act," and suggested the revival of the memorial of 1823.[2] Acting under authority from the board, he again appealed to Congress,[3] but without avail, McLane declaring that the House Committee of Ways and Means would not make a favorable report.[4]

Satisfied now that Congress would never give permission, the board of directors cast about for some expedient by which they could obtain the desired end. The invention of branch drafts was the result. The possibility of issuing such a currency was first pointed out by John Forsyth in 1818,[5] and it is probable that Biddle took the idea from Forsyth's suggestion.[6] Before proceeding to issue the drafts the board thought it advisable to consult competent legal talent, and Biddle laid the proposition before Daniel Webster and Horace Binney,[7] both of whom were at the time members of

[1] To Biddle, Jan. 24, 1827, *B. P.*

[2] Feb. 16, 1826, *ibid.*

[3] Dec. 1, 1826, *H. R.* 460, 22d Cong., 1st Sess., p. 52.

[4] To Biddle, Jan. 19, 1829, *B. P.*

[5] "The bank is authorized to trade in bills of exchange, and trades in bills with each of its branches. The directors thus have nothing to do but make an order directing the president and cashier of each branch to draw on them small bills, payable to the bearer, and the object is effected."—*A. of C.*, 15th Cong., 1st Sess., Vol. II, p. 1748, April 16, 1818.

[6] Biddle mentions Forsyth's remarks to Edward Everett, March 10, 1832, *P. L. B.*, Vol. IV, p. 213.

[7] "The several offices of this bank, especially those at a distance, are in the habit of drawing checks on the bank for the accommodation of the community in its exchange operations. These checks, from the nature of the business they are designed to facilitate, as well as from the labor of multiplying them, and the hazard

the central board and thoroughly familiar with the subject. Binney gave an opinion supporting the bank's power under the charter to issue the drafts, and Webster and Attorney-General Wirt concurred. The opinion was to the effect that, since the issue of checks upon the bank by its branches was an ordinary banking operation, the proposed use was legal, whether the checks were "for large sums or small," "signed by one officer or more," with or without "the external appearance of a bank note."[1] Hereupon the bank authorized

of their being counterfeited, have generally been for large sums. It is proposed, with a view to the more general accommodation of the community and the bank, that the offices should be instructed to issue these checks for smaller sums, such as twenty, ten, and five dollars, whenever requested by the dealers with those offices; and, in order to relieve the offices from the burden of preparing them, to transmit, from the bank, the blank forms of the checks, wanting only the signatures of the proper persons at the respective offices. With a view to the prevention of counterfeits, and the security of the bank as well as the public, it is further proposed, that the general appearance of these checks should be uniform, and approaching, as near as their different natures will permit, to that of the notes of this bank, to which the community is now habituated; and, also, that they should be signed, not by the cashiers alone, as the checks are at present, but by both the presidents and cashiers of the respective offices."—Biddle to Webster and Binney, March 22, 1827, *H. R.* 460, 22d Cong., 1st Sess., p. 50.

[1] The essential points made were as follows: "As there is no substantial difference between the checks or drafts heretofore drawn at the different offices upon the Bank of the United States, and those which it is proposed hereafter to draw, the difference being in appearance more even than in form, there can be no legal objection to them, which does not apply to everything of this nature that has been done by the present Bank of the United States, by the former bank, and by almost all the banks in the country: . . . .

"If the former practice has been lawful, so must the proposed practice be; for, whether the drafts be for large sums or small, whether they are signed by one officer or more, and whether they have the external appearance of a bank note or otherwise, must be a matter of perfect indifference, and entirely within the competency of the bank to regulate at its pleasure.

"That the former practice is without objection, is to be inferred from its long continuance. It is a practice, moreover, within the powers of every banking corporation, for, in this way only, can the intercourse of a bank and its offices, and the exchange operations between banking institutions, be adequately prosecuted, and consequently, unless restrained by charter, every bank is competent to empower its officers to draw such drafts or checks upon its funds, wherever situated, and to bind the corporation to the holder for their due honor. It is an ordinary banking operation, to which their general faculties are perfectly competent. . . . . Whether it is within the power of the corporation to issue 'bills or notes promising the payment of money to any person or persons, his or their order, or to bearer,' unless signed by the president, and countersigned by the principal cashier or treasurer, is not the present inquiry. The affirmative provision in the 12th fundamental article, which gives such bills or notes, though unsealed, a particular effect, has no reference, I conceive, to checks or drafts drawn at the offices upon the bank."—Philadelphia, March 23, 1827, *H. R.* 460, 22d Cong., 1st Sess., p. 51.

the issue by the offices of five- and ten-dollar drafts,[1] signed by the branch presidents and cashiers, drawn on the principal cashier at Philadelphia, and payable to some officer of the branch, or his order. This officer then indorsed the drafts "payable to bearer," with the effect of transforming them into a circulating medium.[2] The drafts were prepared in blank at Philadelphia and transmitted to the offices. They were made to resemble bank notes as closely as possible in design, color, and texture,[3] and so accurate was the likeness that after they had been extensively circulated for over five years "not one man in ten thousand" had "ever noticed the difference."[4] They were issued first in June, 1827, in five- and ten-dollar denominations, twenty-dollar drafts being added in 1831.[5] The secretary of the treasury accepted them in payment of taxes and dues on precisely the same footing as the notes of the bank,[6] thus giving the approval of the government to their use and materially assisting in their circulation. They were bitterly attacked in 1832, and when Congress renewed the charter it inserted a clause forbidding their use after 1836, additional signers of the circulating notes being permitted instead.[7] The bank employed them to the end, while the government continued their receipt until January 1, 1835.[8]

1 Minutes of the Bank, April 6, 1827, *ibid.*, p. 52.

2 *Ibid.*, p. 56. The form was as follows:

Cashier of the Bank of the United States,
Pay to Jas. L. Smith, or order, five dollars.
Office of discount and deposit in Utica,
The 3d day of September, 1831.
JOHN B. LEVING, *President.*
N. V. GRAZIER, *cashier.*

This was then indorsed: "Pay to the bearer. JAS. L. SMITH."—*C. D.*, Vol. VIII, Part I, p. 120. The name of the president at Utica was Devereux, not Leving.

3 Biddle to Secretary Rush, Jan. 10, 1828, *H. R.* 460, 22d Cong., 1st Sess., p. 54.

4 CLAYTON, *C. D.*, Vol. VIII, Part II, p. 1975, March 2, 1832.

5 *H. R.* 460, 22d Cong., 1st Sess., pp. 56, 57.

6 Secretary Rush to Biddle, Jan. 21, 1828, *ibid.*, p. 55.

7 See amendments to charter, sec. 2, proviso, *Sen. Jour.*, 22d Cong., 1st Sess., p. 451. See Appendix IV for the amended bill.

8 Woodbury's circular of Nov. 5, 1834, forbidding their receipt after Jan. 1, 1835, *Ex. Doc.* 42, 23d Cong., 2d Sess., pp. 2, 3.

Benton, who attacked the drafts as illegal, succeeded in casting doubt upon them, and it consequently becomes of importance to determine their legal status. Of course, a layman's opinion on the legal character of bank paper is of relatively little value, but, by sticking to facts which are pretty generally admitted, one may hope not to go far astray.

The first point to be noted is that the drafts, while in actual use notes of the bank, were in form and law drafts or checks. In determining their legal status it is certainly of the first importance to keep clearly this distinction between the use and the legal nature of the drafts. Had Benton chosen to do so, his speech would have been briefer, less involved, and less incomprehensible. But he preferred to apply two incompatible tests to the drafts: to treat them as if they were to be judged in law both as bills of exchange and as bank notes. Clearly, to spend time and labor piling up proof that they were not notes was fatuous, since no one ever claimed that they were; to argue that, as they were not notes of the bank, they were therefore illegal as a currency, was disingenuous, the conclusion by no means following from the premises. What was necessary was to prove that the drafts as checks were an illegal currency, and this Benton certainly did not succeed in doing.

In confirmation of this conclusion there exists the opinion of Binney, Webster, and Wirt already quoted. To the lay mind this seems conclusive. But the opinion of the three great lawyers does not stand alone; it is supported by a decision of the circuit court of the United States, which definitely adjudged that the bank was within its legal powers when issuing the drafts. The drafts, according to this decision, were not notes, and consequently not subject to the charter stipulations in respect to notes. The charter did not on that account prohibit their issue;[1] in fact, it author-

[1] "We find in it [*i. e.*, the charter] no prohibition direct or indirect against issuing this kind of paper either by the bank or any of its branches, or any word or

ized the issue of such paper by the insertion of the words "or other contract" in the twelfth fundamental article of the eleventh section;[1] the drafts were contracts between the bank and the recipients of them, for whose payment the bank was liable under the charter, as it was for all acts done under its authority by its agents;[2] that the drafts constituted a currency made no difference in their legal status whatever;[3] the counterfeiting of them was a crime,[4] and the individual directors were liable if they were issued in excess of the charter stipulation.[5]

After this decision it seems superfluous to combat Benton's arguments, but their consideration will assist in determining the precise legal character of the paper and therefore may not be labor lost. To begin with, Benton reached his conclusions only by denying the validity of the court's

expression by which congress has excluded it from the purview of the 18th section; neither can we perceive any thing in its nature which would justify such inference. . . . . The bank is left free to contract debts by any other mode than by their promissory note or an obligation under seal, with no other limitation than is contained in the 8th fundamental article, which is merely as to amount, the only effect of which, is not to exempt the bank from liability for the excess, but to make the directors, under whose administration it shall happen, personally liable."—United States *vs.* Benjamin Shellmire, October term, 1831, Judges Baldwin and Hopkinson, 1 Baldwin, 370 ff.; see also NILES, Vol. XLI, p. 231.

1 "This is an explicit declaration that the bank may make, and are bound by contracts other than those by bond, bill, note or deposit. These other contracts must be taken to mean and be co-extensive with ordinary transactions of banks. . . . . In all these operations, checks or orders on the bank or its cashiers, are indispensible to conducting the business of the bank. . . . . It is in our opinion no answer to these views, that the law has not expressly authorized the officers of the branches to draw on the bank; it is enough for this point that they are not prohibited from doing so."—*Ibid.*

2 "The 8th fundamental article makes the bank liable for all debts, though they exceed the amount limited;—the 14th makes the offices of discount and deposite its agents,— . . . . The mode in which the bank contracts a debt, the shape it assumes, or the places where contracted, is of no importance. The officers being its agents, the debts contracted by them become the debts of the corporation, imposing a duty to pay them."—*Ibid.*, and NILES, Vol. XLI, p. 232.

3 "They may be in large drafts or orders for remittance, or small ones for currency or circulation, and in any form, with or without ornaments, devices or marks. Whether they resemble in these particulars the notes of bank, is immaterial; their substance and legal effect are the same; they create a new debt or duty, obligatory on the bank."—*Ibid.*

4 *Ibid.*

5 *Ibid.*, and NILES, Vol. XLI, p. 231.

decision, a method which in itself invalidates most of his own argument. Having refused to admit the correctness of the court's interpretation of the law, he insisted on treating the charter specifications as grants of power instead of limitations upon powers already possessed;[1] asserted that the drafts were not notes, and then impeached their legality as bills of exchange. His assertion that the drafts were not notes will be readily admitted. When he proceeds, however, to declare that as bills of exchange they were not valid instruments, he seems to be in error, for to reach this conclusion he argued that bills of exchange must always be transferred by indorsement and not by delivery, and that such bills could not be reissued.[2] This was certainly erroneous as to transfer, for "notes and bills are often made payable to bearer, or 'A. B. or bearer.' Such instruments are *prima facie* the property of the holder, are transferable by delivery, and if transferred by indorsement the indorsement need not be proved."[3] Even if not made payable to bearer when drawn, if indorsed "payable to bearer," the bill would become "transferable thereafter by delivery."[4] Nor did it make any difference that the bank was both drawer and drawee, maker and payee, providing that the bill was indorsed.[5] The bank was bound also by the act of its officers at the branches. These points cover the branch drafts completely, supposing them to be inland bills of exchange. As

[1] If Benton had been correct in this, the bank could not have dealt in promissory notes, since there was no clear grant in the charter to do this. The courts of Kentucky had at one time decided against the bank's power on this ground.

[2] For Benton's argument see *C. D.*, Vol. VIII, Part I, pp. 114-40. For answer see Buckner's argument, *ibid.*, p. 553.

[3] *American and English Encyclopedia of Law*, Vol. II, p. 337.

[4] "The character of an instrument may be changed by indorsement, e. g., a note payable to 'order,' if indorsed to 'bearer,' becomes transferable thereafter by delivery."—*Ibid.*, pp. 338, 339.

[5] "That the payee or drawee is identical with the maker or drawer, does not invalidate a note or bill."—*Ibid.*, p. 336. "But such notes are incomplete until indorsed."—118 Mass., 541; 85 Ill., 513. "The same person may be *drawer* and *drawee*, or *drawer* and *payee*."—*American and English Encyclopedia of Law*, Vol. II, p. 315.

to reissue, it would seem that, in case all parties to the drafts agreed, they might be reissued.

The drafts, however, were not ordinary bills of exchange, but checks on the bank, differing from ordinary bills in always being drawn on a deposit of money in a bank; in having no days of grace allowed; in not freeing the drawer by neglect on the part of the holder to present them for payment; and in not being due until payment was demanded.[1] Of course, they were transferable by delivery if indorsed payable to bearer.

It must be admitted, however, that the use of branch drafts as a currency was not contemplated when the charter was granted. This would not necessarily make them illegal. Many other banking operations have not been contemplated when banking privileges have been conferred, but have grown up without any specific legal authority for them. Such was the case with the practice of certifying checks. Yet the courts would not therefore hold that certification was an illegality.

The drafts varied in their legal status from the notes of the bank in the following particulars: they were not signed by the president and cashier of the parent bank; nor drawn in the name of the corporation; nor subject to the supervision of the secretary of the treasury; nor legally receivable in payment of public dues; nor payable where issued; nor suable on at the issuing branch; nor limited to the denomination of five dollars or above. Of all these dif-

[1] "Bank checks are not inland bills of exchange, but have many of the properties of such commercial paper; and many of the rules of the law merchant are applicable to both. . . . . The chief points of difference are that a check is always drawn on a bank or banker. No days of grace are allowed. The drawer is not discharged by the laches of the holder in presentment for payment, unless he can show that he has sustained some injury by the default. It is not due until payment is demanded, and the statute of limitations runs only from that time. It is by its face the appropriation of so much money of the drawer in the hands of the drawee to the payment of an admitted liability of the drawer. It is not necessary that the drawer of a bill should have funds in the hands of the drawee. A check in such case would be a fraud."—10 Wall., 604, 647.

ferences not one was of practical interest to the community, because in actual use the bank took advantage only of the power to sign the drafts by others than the president and cashier at Philadelphia. Nor would it have paid to take advantage of any other difference. What was wanted was a substitute for notes, not an instrument of different properties whose use would have aroused suspicion and thwarted the very ends sought. As to the other differences, the only ones from which the bank could by any possibility reap an advantage were those by which it might issue drafts of a lesser denomination than five dollars and refuse payment of all drafts excepting at the parent office.[1] Had the bank attempted to use either of these legal rights, however, the appropriate punishment, imposing a penalty greater than any benefit gained, would have been found immediately in the refusal of the treasury to take them in payments to it. In that case their circulation would have been diminished, their credit impaired, and the very purposes for which they were created completely thwarted.

In actual use, therefore, the bank made no discrimination between branch notes and branch drafts. Hence, where notes were receivable, drafts were receivable, and the same rules obtained in regard to redemption, payment, and deposit. Consequently, if branch drafts were dangerous, branch notes must have been equally so; if the issue of one kind of paper was injurious to the community, the same must have been true of the other. These facts even the enemies of the bank were forced to admit, while laboring in vain to explain them away. Thus Benton in his incoherent attack violently asserted that they were payable only at Philadelphia, but a moment later granted that they were sometimes

[1] The ability to refuse payment of 12 per cent. interest on non-payment might have been an advantage if it existed, but only in case of the bank's failure. The fact that the government was not bound to take them in receipt of revenue payments was a positive disadvantage to the bank.

paid at other branches.[1] Biddle stated the whole matter clearly and succinctly over and over again. "The branch draughts," he said, "being, in practice, substitutes for branch notes, are considered in all respects the same. Like branch notes, those of five dollars, are received at all the branches; those above five dollars are not necessarily received. . . . Branch draughts of all denominations are received on account of the Government, and those only of five dollars are necessarily received on account of individuals."[2] These statements are corroborated by the bank correspondence on the subject,[3] and no evidence was ever adduced to show a different usage.

The judgment of Professor Sumner, the one able economist who has treated at length the history of the bank, is invariably cited as conclusive against the drafts. It becomes of moment, therefore, to point out some misapprehensions into which he seems to have fallen. For instance, he declares brusquely that the drafts "had no true convertibility."[4] Since the drafts were treated in precisely the same manner as the notes, they had just the same amount of convertibility — no more, no less. If they were not convertible, the notes were not convertible; but no one has ever reached the point of asserting that the notes possessed "no true convertibility." Again, he appears to believe that the branch drafts as a currency device to be substituted for notes were issued in 1818, speaking of the "revival of the use of branch drafts"[5] in 1827. Here there seems to be a confusion of the branch drafts as a currency device with the customary drafts drawn by the bank. The ordinary bank drafts did not need reviving in 1827, for they had been used

1 *C. D.*, Vol. VIII, Part I, pp. 139, 140. 2 *S. D.* 79, 22d Cong., 1st Sess., p. 2.

3 Cashier at New York to Jaudon, Sept. 28, 1833; *S. D.* 17, 23d Cong., 2d Sess., p. 120; Jaudon to New York cashier, Sept. 30, 1833, *ibid.*

4 *Life of Jackson* (revised), p. 303.

5 *Banking in the United States*, p. 186; though elsewhere he describes the actual facts in connection with the "invention" of branch drafts.

by banks ever since banks existed in the United States,[1] and were used without intermission by the bank during the period when the "branch draft" was doing the work of the ordinary note. But these credit devices were the same only in form.[2] The ordinary draft was drawn for large sums, was transferable only by indorsement, and in 1818 certainly was supported by no provision for payment, and did not circulate to any considerable extent. The "branch drafts" differed in all these particulars. They were for small sums; they were transferable by delivery; they were supported by a fund created from the simultaneous purchase of bills of exchange; and, above all, they were intended to circulate, and did circulate, as a bank-note currency. They were as different from the customary bank drafts as were the notes themselves.[3]

As Sumner considers the drafts possessed of no true convertibility, he naturally holds that they were not promptly redeemed. They "had cut loose," he asserts, "from actual redemption in capital,"[4] and might be indefinitely inflated.

[1] *H. R.* 460, 22d Cong., 1st Sess., p. 51, Binney's opinion.

[2] It may be said, however, that they could perform the same functions. In that case one is at a loss to understand why so much noise should be made over the invention of branch drafts, and why anyone should regard them as illegal.

[3] Sumner, in denying convertibility to the drafts, asserts, too, that they "were in form redeemable where issued, but in intention and practice they were redeemed hundreds of miles away."—*Andrew Jackson* (revised), p. 303. The drafts were not "in form redeemable where issued," but only at Philadelphia, while in practice they were redeemed where issued, at Philadelphia and at many of the other offices. His confusion of this species of note with the ordinary bank draft is again apparent when he quotes Gellatin in regard to the drafts. Gallatin is here (ADAMS, *Gallatin's Works*, Vol. III, p. 265) speaking of the ordinary use of bank drafts, and arguing that they are part of the circulation, as is shown by his adding: "Though not usually included in the amount of circulation of the bank, we cannot but consider the average amount in circulation as making part of the currency of the country." Now, this statement will not in the least apply to branch drafts, which were always "included in the amount of the cirulation."—*H. R.* 460, 22d Cong., 1st Sess., p. 56; *S. D.* 79, 22d Cong., 1st Sess., p. 4. Gallatin's remarks are no doubt confusing, since he speaks of the "branch draft" at the beginning of the paragraph, and does not clearly discriminate between the two when he proceeds to discuss the ordinary bank draft.

[4] "It was proved that they had none of the character of convertible bank-notes or money, but were instruments of credit, and, like all instruments of credit which have cut loose from actual redemption in capital, there was no more limit to their possible inflation than to the infinity of human hopes and human desires."—*Andrew Jackson* (revised), pp. 313, 314.

To this the answer is always ready that the drafts differed in absolutely no respect from the notes, and objections against them, to be valid, must be valid as against the notes. But one does not need to urge this general objection. The truth is that the drafts did not embarrass the bank because they had "cut loose from redemption," but that in many cases they had to be redeemed too soon; not that they stayed out too long, but that they did not stay out long enough. More than once they had to be paid before the bills of exchange, from whose payment the funds for redemption were to come, were themselves paid. Thus in February, 1832, the cashier at the parent bank urges the cashier at Cincinnati to keep down his loans, because otherwise "the circulation connected with it must press uncomfortably upon the institution" in the East,[1] and Biddle, writing to the president of the Charleston branch in January, 1834, distinctly states that the branch circulation embarrasses the bank at its eastern offices, because it is presented there for redemption before the bills of exchange on which the notes were issued are themselves paid.[2] Nor will it do to reason, as did Benton,[3] that the bank could not hinder the branches from pouring out streams of this paper, for the drafts were all prepared at Philadelphia in blank and dispatched thence to the offices.[4] Consequently all that was necessary to stop the

[1] Feb. 4, *H. R.* 460, 22d Cong., 1st Sess., p. 526.

[2] "There is one point, however, to which particular attention is at present necessary. Your purchases naturally throw into circulation large masses of your notes, which soon find their way to the north, and being immediately paid, create a charge upon the bank and the northern offices; while in the present disturbed state of private credit, many of the houses upon which bills are drawn, find it extremely difficult to meet their engagements without indulgence, and an extension of time from the bank itself, so that the notes must be paid by the bank, and the bills to meet them are not paid by individuals."—Jan. 30, 1834, *S. D.* 17, 23d Cong., 2d Sess., p. 79; see also letter of Biddle of date Jan. 24, 1834, to New Orleans office, *ibid.*, p. 81; and *Ex. Doc.* 8, 22d Cong., 2d Sess., p. 27, Report of Committee of Offices, July 27, 1832.

[3] *C. D.*, Vol. VIII, Part I, p. 138.

[4] "And the entire control of the issues of them [*i. e.*, branch drafts] is preserved by having them all prepared and registered at the bank itself, and forwarded for distribution, wanting only the signatures of the presidents and cashiers of the offices." —Biddle to Secretary Rush, Jan. 10, 1828, *H. R.* 460, 22d Cong., 1st Sess., p. 54.

branches from issuing the drafts was to refuse to forward any further supply to them.[1]

Seventeen branches issued this species of currency, those not doing so being Philadelphia, Boston, New York, Baltimore, Portsmouth, Hartford, Portland, Washington, and Richmond. From this list it will be seen that the drafts were employed, as intended, in the West and South, and, indeed, four-fifths of all the drafts issued in 1832 were put out at eight offices — two in the South, and the other six in the West and Southwest.[2]

It is important to know what amount of this currency was in circulation in 1832, since knowledge of this fact will help to determine the share which the drafts had in the expansion of the issues of the bank and in the inflation of the currency. Benton, without knowing, assumed that the amount ran up into untold millions.[3] The bank, however, sent in a

[1] Sumner, believing that the drafts were responsible for most of the errors and embarrassments of the bank, naturally lays too much to their charge. "They were a most unlucky invention. Most of the subsequent real troubles of the bank can be traced to them."—*Banking in the United States*, p. 186. And again, in speaking of the embarrassments of 1832: "The position in which the bank found itself was a result of the working of the branch drafts. Their effect was just beginning to tell seriously, and it was cumulative in a high ratio."—*Ibid.* The truth is, if the bank made investments in the West and Southwest in 1831-32, loans which were virtually permanent were inevitable, branch drafts or no branch drafts. Again, speaking of the charges against the bank in 1832, Sumner notes that one of them was the "expansion of the circulation by $1,300,000 between September 1, 1831, and April 1, 1832, although the discounts had been reduced during the winter." He adds: "The bank was struggling already with the branch drafts, and this struggle produced the facts which were alleged."—*Ibid.*, p. 204. It would be curious, to say the least, if circulation should have increased to a considerable extent, while discounts were falling. On examination it is apparent that the facts alleged did not exist. The real state of affairs was as follows: In the time specified the circulation had increased $2,500,000, almost double the amount named by Professor Sumner. The discounts, however, had not fallen off during the winter. On the contrary, they were on April 2 $4,400,000 in excess of what they were on the 2d of September, 1831, and they had not been at as low a figure through the winter as they were on the 2d of April. Moreover, the purchase of bills of inland exchange aggregated $7,600,000 more on the 2d of April, 1832, than on the 2d of September, 1831.—Monthly Reports of the Bank, *Ex. Doc.* 523, 22d Cong., 1st Sess. Surely an increase of $2,500,000 in the circulation was not excessive in the face of an increase in loans of $12,000,000.

[2] For localities see note 3, p. 129.

[3] "Fifty signers at work, and one hundred and fifty endorsing clerks, pouring out from five and twenty places their perennial streams of paper."—*C. D.*, Vol. VIII, Part I, p. 138.

return on the subject for January, 1832, which was as follows: whole amount issued, $10,781,000; gross circulation, $7,410,000; net circulation,[1] $5,029,000.[2] The entire net circulation of the bank at this time was $21,080,000. The proportion of drafts to the whole is, therefore, less than one-fourth. The showing left Benton crestfallen, and it can hardly be held that the drafts played a very large part in the inflation of the bank's issues. That must have been to a much greater extent the result of branch notes of large denominations used in the purchase of western and southern bills. A comparison at the eight offices which issued four-fifths of all the branch drafts in 1832 shows that they circulated almost twice the amount of notes, and only three offices—Pittsburg, Lexington, and Louisville—had a larger circulation of drafts than of notes.[3]

Benton made other charges which seem to be countenanced by Sumner. Thus he asserts that the drafts drove specie out of the West and put that section irrevocably in debt.[4] The charges do not seem worthy of credit. Sumner

[1] In computing which, notes *in transitu*, or worn out, were subtracted.

[2] *S. D.* 79, 22d Cong., 1st Sess., p. 2. $5 drafts, $1,991,000; $10, $2,428,000; $20, $610,000. See also *H. R.* 460, 22d Cong., 1st Sess., p. 57, for April, 1832; issued, $10,781,635; on hand, $3,371,545; gross circulation, $7,410,090; net circulation (calculated), $5,928,072; and *S. D.* 17, 23d Cong., 2d Sess., p. 64, for Oct. 1, 1834: issued, $12,341,212; on hand, $5,565,465; gross circulation, $6,775,747; net circulation, $5,164,037.

[3] Drafts and notes, January, 1832, net circulation (four-fifths of gross):

	Drafts	Notes
Fayetteville	$381,740	$ 492,010
Savannah	344,604	699,996
New Orleans	726,740	2,536,580
Nashville	503,476	1,311,664
Louisville	535,008	470,712
Lexington	640,356	548,149
Cincinnati	482,048	561,994
Pittsburg	415,560	385 717
Total	$4,029,532	$7,006,822

—*H. R.* 460, 22d Cong., 1st Sess., p. 536, and *S. D.* 79, 22d Cong., 1st Sess., p. 4.

[4] "It is this illegal, irresponsible currency which has enabled the bank to fill the Union with debtors in chains, who scream incessantly for the life and glory of their Juggernaut, and attack with the fury of wild beasts every public man who will not square his public conduct by the devouring miseries of their own private condition, and the remorseless cravings of their insatiate idol."—*C. D.*, Vol. VIII, Part I, p. 139,

himself contradicts the assertion of driving away specie when he says: "The branch drafts were transferring the capital of the bank to the western branches, and locking it up there in accommodation paper indefinitely extended by drawing and re-drawing."[1] Now, the drafts could hardly drive the specie out of the West and simultaneously transfer the capital of the bank to the same part of the country and lock it up there. Moreover, as already shown, the real state of affairs was that the drafts were sometimes paid in the East before the funds were furnished from the West, and those funds were usually forwarded, not in the form of specie, but in the form of bills of exchange bottomed on the crop and drawn on the eastern offices or on New Orleans. Specie did, indeed, flow from the West to the East, for the simple reason that specie was the cheapest commodity in which the West could pay many of its debts. Most of the specie, however, came from Mexico, and complaint, if justified, should have been made by that country. Whether such drawing away of specie would constitute a *casus belli*, Benton did not intimate.

As to the second charge, that of impoverishment by the issue of drafts, it would be indeed surprising if the effect of loaning to a poor country was to impoverish it. The usual opinion has always been that such loans are of great assist-

Jan. 20, 1832. "In the next place, these orders are impoverishing and destructive to the States in which they are issued, because they lead to the *abduction of its gold and silver*. If notes are issued, they are payable at the branch bank, and an adequate supply of gold and silver must be kept on hand to redeem them; but these orders being drawn on Philadelphia, the gold and silver of the State must be sent there to meet them."—*Ibid.*, p. 140. "The people of the country are in debt for this paper, the greater part of them at second and third hand, borrowers from borrowers, paying rack-interest to the intermediate lenders. The labors of the year barely suffice for the payment of the sixty days' collection of all this interest. The principal is still behind, to come upon these exhausted countries when delayed payment has doubled the difficulty of making payment."—*Ibid.*, p. 141. Sumner says apropos of such remarks: "So far as the branch drafts after 1827 helped to produce this result, the bank had some share in it, but, as there were then very few banks of issue in the Valley, a greater amount of specie was probably retained at that time than ever before."—*Banking in the United States*, p. 203.

[1] *Ibid.*, p. 206.

ance in the development of a new country, and that it is only by procuring loans that the country can be developed. To be sure, the bank received interest on its loans and expected to recover the principal. Perhaps this was what Benton objected to. But, after all, it was hardly fair to ask that it should give away its capital or make loans for nothing. Benton should have perceived, too, that the bank had no means of forcing its loans upon the people of the West, and, if they contracted debts at the bank, they did so because it was to their interest to do so.

A portion of the population of the West undoubtedly had a grievance — that portion which was constituted of bankers and note-shavers. They were justified in hating the bank because it reduced their note issues and monopolized the exchange transactions; it put an end to much of their business, to almost all of their bad business, and at the same time compelled them to loan at lower rates than would have been possible had the bank been out of the field. As these results were secured to a considerable extent through the use of branch drafts, their righteous hatred was naturally transferred to this currency.

In conclusion one may repeat briefly the points which seem to have been established: In use the drafts were notes to all intents and purposes; in law they were checks or bills of exchange; as notes, those of the denomination of $5 were redeemed at all the offices, and the others usually at all the offices, and always at Philadelphia and the issuing office; all were taken everywhere in payments to the government; where notes were depreciated, drafts would be depreciated to the same extent; they were readily convertible; they were only a small part of the circulation; they did not abstract specie from the West; and they were not necessarily dangerous to the interests of the bank.

CHAPTER VII

THE RESULTS OF BIDDLE'S SYSTEM

THE branch drafts were invented in 1827. By July, 1828, the bank had proved its ability to check the business of the state banks, put an end to depreciated state-bank currencies, issue a full supply of its own notes, and secure control of the exchange business of the country. By July, 1831, its success was complete,[1] and Biddle, in the triennial report to the stockholders, gave utterance to a veritable pæan of victory while explaining what had been done.

Naturally enough he laid more stress upon the importance of his measures to the public than on their value to the bank, for the project of securing a renewed charter was now full-blown, and, if he could carry home to the people the conviction of the bank's indispensableness, the chances of getting the new charter would be much enhanced. "The experiment," he declared, had been to see in how far the bank could supply a sound and uniform currency of extensive circulation, while reducing "the necessary expenses of commercial intercourse between distant sections" of the country.[2] He emphasized the importance of these exchange dealings in the interests of commerce, and explained how the bank, by its extensive participation in them, and especially in foreign exchange, staved off monetary stringencies and periodic bank curtailments, which otherwise would inevitably ensue

[1] The depreciation of state-bank notes was, on the whole, lower in 1831 than in any other year from 1817 to 1837.—*S. D.* 457, 25th Cong., 2d Sess., pp. 126–30.

[2] "The experiment was interesting and hazardous. It was to try how far the institution could succeed . . . . in diffusing over so wide a surface of country a currency of large amount and of uniform value at all places and under all circumstances; and also whether it could bring down to its extreme limit the necessary expense of commercial intercourse between distant sections of country, whose exchangeable productions were of such various and unequal values."—NILES, Vol. XLI, p. 114.

because of the slender stock of the precious metals in the country.[1] The bank, he asserted, had now fulfilled "all the purposes for which it was created," and was in the true sense of the word a national bank.[2]

Undoubtedly the country and the business community were the beneficiaries of a sound currency and a low rate of exchange,[3] but the jubilation was not all on account of the good people of the United States, for it was not forgotten that "these purposes have been accomplished without any sacrifice of the interests of the stockholders."[4] "The interests of the stockholders," on the contrary, had been fully cared for. This was notably evident from the figures for exchange. For the year ending June 30, 1831, the bank had purchased $44,053,520.10 in bills of domestic exchange and had sold drafts to the extent of $42,123,161.23.[5] Discounts, too, had run from $32,877,000 to $41,448,000. The increase in the two species of investments aggregated $14,-400,000. Meanwhile, however, the bank had parted with $7,000,000 in funded debt, so that the actual increase in investments was $7,400,000. The change meant a much greater total profit, since discounts paid 6 per cent. and inland exchange at least 9 per cent., while funded debt was at 4 and 5. In other respects the state of the bank's affairs was equally gratifying. Loans on bank-stock securities had almost ceased.[6] The suspended debt had been reduced from $10,426,000 in 1822 to $3,633,000 in 1831; the loan of 1821, amounting to $1,180,880, had been paid; the contingent fund had been increased so that it more than covered all losses; the surplus was $1,698,102.93; since July 1, 1828, net circulation had increased over $8,000,000, private

[1] *Ibid.*, p. 115. [2] *Ibid.*, pp. 115, 117.

[3] "At present these exchanges are generally either at par, or at the utmost one-half of one per cent."—*Ibid.*, p. 116.

[4] *Ibid.*, p. 117. [5] *Ibid.*, p. 116.

[6] *Ibid.*, p. 117. Loans on bank stock, 1822, $5,974,725.80; 1831, $779,458.07.

deposits over $2,700,000, specie over $5,500,000, and net annual profits over $380,000.[1] The song of triumph was not unjustified.

But there were flies in the ointment. While increasing the bank's transactions and its profits, Biddle had extended its dealings in the Southwest and West out of all proportion, and in doing so had returned to that policy of extensive interior loans of which, in 1823, he felt sure that the bank had had "enough and more than enough." It is true that he had perfected a system of operations which, if faithfully executed, completely transformed the situation, but he should have known that the men who had to execute that plan were not likely to execute it faithfully, in which case the bank would suffer loss and perhaps ruin.

There was a number of reasons why Biddle had turned deliberately to the task of building up a large banking business in the West and Southwest. For one thing, the steady payment of the public debt had put an end to the bank's holdings of public stock and compelled it to invest its means in other ways. In July, 1831, the government had even liquidated its stock-note for $7,000,000 which it had given in 1817 for its shares in the bank's capital stock,[2] and by November of 1831 the bank was left without a cent of government funded debt — a diminution in this species of investment of $17,000,000 since July 1, 1828. Biddle at first attempted to supply the lack of government stock by investments in that of the states, offering a loan of $8,500,000 at 5 per cent. to Pennsylvania in 1829,[3] while in September, 1830, he was eagerly inquiring as to the chances of getting Louisiana and Mississippi stocks.[4] These efforts failing, some other disposition of the funds had to be made. To put them

[1] NILES, Vol. XLI, pp. 117, 118; also Appendix V. [2] *Ibid.*, p. 112.

[3] Biddle to George Hoffman, Dec. 15, 1829, *P. L. B.*, Vol. III p. 106.

[4] Biddle to Jaudon, Sept. 7, 1830, *ibid.*, pp. 338, 339.

out in the East and the South from 1827 to 1831 was impossible, for there the bank's loans diminished during this period in spite of constant efforts to keep them up.[1] Competition in the East was excessive, there being a great deal of capital to be had on easy terms. In Boston the total business of the branch fell from $4,150,000 in January, 1827, to $629,000 in January, 1829, a diminution of $3,500,000.[2] Banking in the West and Southwest was therefore the only resource. Moreover, Biddle's system of branch drafts and dealings in exchange contemplated this, and consequently necessity and inclination joined hands to push the bank into this field.

No sooner had the plans for extensive banking in these distant sections begun to work, however, than unforeseen causes gave rise to an overwhelming demand for loanable capital. The years 1831–32 were indeed years of phenomenal growth in trade, industry, and internal improvements. "The introduction of the new means of intercourse," says Sumner, "produced a development of industry so great as to amount to a revolution, so sudden as to create a convulsion."[3] In 1825 the Erie Canal was completed, and in 1828 the Baltimore and Ohio Railroad was begun. But the effect upon business produced by these means of communication, though large, was not comparable to that resulting from the extensive application of steam to water transportation. By 1825 steamboats were found everywhere from the Hudson to the Mississippi. The result was a tremendous reduction in the cost of transportation, an enormous increase in the volume of production, and a marked diminution of the price of the commodities transported. The American industry most profoundly affected was the cultivation of cotton, a

1 See monthly statements for the period, Appendix V.

2 Biddle to T. H. Perkins, June 7, 1831, *P. L. B.*, Vol. III, p. 533.

3 SUMNER, *History of American Currency*, p. 90.

commodity in great request after 1824. The demand for cotton led to brisk speculation in southern, and especially southwestern, real estate, and to a less extent in western lands. Times were good and everyone wanted to borrow; there were enormous importations from Europe, and the revenue was unusually large. Under the spur of excessive demands and largely increased facilities for loaning, it is not surprising that the bank expanded. So intense was the pressure for loans, and so willing was the bank to grant them, that in 1831, contrary to all precedent, its accommodations were not reduced during the summer months.[1] The urgent demand for money continued through 1832, and the effort to meet it would have taxed all the resources of a much larger "monster" than the Philadelphia one.

The result was that the bank's loans increased to an astonishing extent, as was evident from Biddle's exposition in 1831. By May, 1832, he would probably not have been so completely satisfied with the situation. By that time, counting from May 1, 1828,[2] the investments of the bank had increased from $54,800,000 to $70,400,000, an increase of $15,600,000 in four years. Remarkable as this increase was, the really remarkable fact about it was that discounts and domestic-exchange purchases had been augmented in this period by $33,100,000, almost double their total in May, 1828, domestic-exchange dealings alone increasing by $17,360,000. Other significant items were the increase in circulation, $10,578,000, in total deposits, $2,762,000; while specie had hardly increased at all, the amount held on May 1, 1828, being $6,318,000, and on May 1, 1832, $7,890,000. Thus, while the immediate-demand liabilities of the bank had risen by $13,340,000, the ability to meet them had

[1] *S. D.* 17, 23d Cong., 2d Sess., p. 97.

[2] The 1st of May, 1832, is deliberately selected as being the moment at which the bank's dealings were most extended.

increased by only $1,572,000. Meanwhile the bank owed $1,878,122.29 in Europe.

How far the West and Southwest were responsible for this enormous expansion a few figures will clearly reveal. On May 1, 1828, the discount and exchange dealings of the bank in those sections of the country had been $13,697,000 out of a total of $39,352,000; on May 1, 1832, the sum was $36,419,000 out of a total of $70,400,000.[1] In other words, the western and southwestern loans had increased from a little over one-third of the whole to over one-half of the whole, the number of offices doing this enormous business being nine out of a total of twenty-six, established almost exclusively in cities of moderate size.[2] Since the dealings in inland exchange were responsible for this state of affairs, they deserve full consideration.

At the time of the bank's establishment the phrase "equalization of exchange" was used in three senses: first, in that of putting an end to the depreciation of state-bank notes; secondly, in that of real exchange; thirdly, in that of putting an end to the discount on bank notes which was due to their being at a distance from their place of issue and redemption. This confusion of use led people to believe

[1] Southwest and West: Natchez, Mobile, New Orleans, Nashville, Louisville, St. Louis, Lexington, Cincinnati, Pittsburg, (Chillicothe agency).

	Discounts	Bills of Exchange	Totals
May 1, 1828—			
Southwest and West	$10,701,000	$ 2,996,000	$13,697,000
All others	21,959,000	3,696,000	25,655,000
May 1, 1829—			
Southwest and West	12,001,000	4,757,000	16,758,000
All others	21,623,000	4,509,000	26,132,000
May 1, 1830 (April 30)—			
Southwest and West	14,164,000	6,577,000	20,741,000
All others	19,640,000	4,237,000	23,877,000
May, 1831—			
Southwest and West	15,872,000	9,144,000	26,016,000
All others	20,061,000	5,822,000	25,883,000
May, 1832—			
Southwest and West	22,467,000	13,952,000	36,419,000
All others	24,905,000	9,100,000	34,005,000

—Compiled from the monthly reports of the bank.

[2] New Orleans excepted.

that the bank ought not to charge for making exchanges for the public. The banks of the day rarely dealt in exchange,[1] and considerable hostility was aroused when the Bank of the United States undertook to charge a premium for purchasing and collecting bills. At the very first hint of such action Secretary Crawford came forward with violent objections,[2] and the House committee of 1819 disparaged the practice.[3] This hostility was never allayed. Moreover, it was asserted that the bank used bills of domestic exchange as a device to secure usurious rates on its loans;[4] Clayton declared that in this way the bank extorted 12 per cent. interest.[5]

Gallatin, on the other hand, asserted that the bank's transactions along this line constituted one of the three principal advantages derived from a national bank, and one which accrued to the community at large.[6] Besides, the bank had to keep specie on hand, and at times transport it, in order to make exchanges. Moreover, interest and premium together must be less than the cost of transporting specie; otherwise they would not be paid. It was only just,

1 "That institution [*i.* e., the Bank of the United States], at some period subsequent to the commencement of its operations in February, 1817, entered upon the business of a dealer in inland bills of exchange by buying and selling bills upon all points where its branches were located, upon terms that gave it a profit on the transaction. This practice probably gave rise to the general custom now prevailing amongst banks of buying and selling bills of exchange."—RAGUET, pp. 114, 115.

2 "The exaction of one-fourth, or one-half, or one per cent. on checks drawn on one office of discount upon another, ... will as effectually convince the community of the prostration of its rights and interests at the will of the bank as the exaction of ten per cent. It is the establishment of the principle, and not the amount of the exaction, which will exhibit the power of the bank to levy contributions on the commerce of the nation *ad libitum.*"—July 3, 1817, *F.*, Vol. IV, p. 540. The whole letter is a protest on the subject of the bank's system.

3 *Ibid.*, Vol. III, p. 309.

4 BENTON, *Thirty Years*, Vol. I, p. 240.

5 *C. D.*, Vol. VIII, Part II, p. 1977.

6 "The principal advantages derived from the Bank of the United States, ... are, therefore, first and principally, securing with certainty a uniform, and, as far as paper can, a sound currency; secondly, the complete security and great facility it affords to the Government in its fiscal operations; thirdly, the great convenience and benefit accruing to the community from its extensive transactions in domestic bills of exchange and inland drafts."—ADAMS, *Gallatin's Writings*, Vol. III, pp. 345, 346.

therefore, that the community should pay the premium asked.[1]

This reasoning furnished a complete answer to the foolish arguments that a national bank ought to make exchanges without charging for them. But it must be noted that, complete as the answer is to the objections against the sale and purchase of drafts, it does not at all touch the other objection, that the discount of bills was a device to extort more than the 6 per cent. rate of interest allowed by the bank's charter. When this charge was made, Biddle answered it by describing the operation of purchasing a bill of exchange with interest at 6 per cent. and $1\frac{1}{2}$ per cent. premium, hinting that the bank's accuser had confounded "two things distinct in themselves, but necessarily blended in the same operation"—the interest on the bill, and the premium on the bill.[2] But this explanation is not to the point. The charge was that the bank forced its customers to purchase bills on their crops when they desired instead to discount notes, and that by doing this it secured more than the legal rate of interest. Undoubtedly this was true,[3] and it is plain enough that, in the case explained by Biddle, if the borrower paid 6 per cent. on the loan and

1 "For the bank to be always in the market, ready to buy domestic bills, or to sell drafts, to suit the varying demands of commerce, it must, on occasions of unusual disturbances of the course of trade, be compelled to transmit specie from place to place; for, whatever may be the supposed credit of its paper, when there has been an extraordinary accumulation of it at any one point, the bank at that place must be reinforced with an addition of specie; more especially, when the balance of foreign commerce is against the place. It is, then, obviously just, that the bank should be compensated for performing this office; and which, if it did not perform, must devolve upon some other part of the community. The premiums and discounts paid to the bank must be less than the expense of transporting specie, or they would not be paid; and the difference is a net gain to the community, by the operations of the bank."—TUCKER, *The Theory of Money and Banks Investigated*, p. 301.

2 *H. R.* 460, 22d Cong., 1st Sess., p. 47.

3 "For the last two seasons, my attention has been steadily applied to the lessening our note business, by a substitution of bills to the amount of such reduction; but in this, I have not been so successful as I could wish, because it is the interest of the merchants to counteract this policy."—Cashier at Nashville, Oct 21, 1832, *S. D.* 4, 22d Cong., 2d Sess., p. 32.

1½ per cent. as exchange, he paid for a bill at ninety days at the rate of 12 per cent. per annum.[1] The method was a common one at that date to evade the laws of usury.[2] Twelve per cent. was the market rate, of course, and the result only illustrates the truth that the market rate and not the legal rate must be paid, if the borrower wishes to be accommodated. It should be noted, too, that bills of exchange were really used in such cases not so much to obviate the transfer of funds as to make loans. Almost all the bill operations of the Bank of the United States were nothing more or less than a species of discount.

In the first years of the bank's existence dealings in exchange were very slight and unimportant. The volume of the business in October, 1819, was only $1,375,087, and it did not reach $2,000,000 until May, 1820. The year 1822 shows the first considerable increase, the figures for July being $3,273,305 and the total purchases for the year amounting to $7,353,190.56.[3] The reports for the succeeding years to 1827 show a slight increase, but real and marked growth did not begin until that year, with the adoption of Biddle's system.[4]

It was part of Biddle's plan to secure control of the entire business of the country in inland exchange.[5] The bank, therefore, worked with this object in view, and by 1832 had almost accomplished it.[6] Competition in exchange was, of course, perfectly free, but the Bank of the United States secured a virtual monopoly by offering to individuals advan-

[1] In 1829 domestic bills purchased were $28,000,000; profit, $650,000, or $210,000 in excess of the discount, an average of ¾ of 1 per cent.; equal to 9 per cent. per annum. —Biddle to Joseph Hemphill, Dec. 19, 1829, *P. L. B.*, Vol. III, p. 117.

[2] RAGUET, p. 107. [3] TYLER, *S. D.* 17, 23d Cong., 2d Sess., p. 25. [4] See Appendix VI.

[5] Jaudon to the cashier at Cincinnati, Oct. 3, 1832, *H. R.* 121, 22d Cong., 2d Sess., p. 148.

[6] TUCKER, p. 300. "Though they [*i. e.*, the state banks] had always been competitors for it [*i. e.*, inland exchange business] . . . . yet they did not prove highly successful in their efforts till since 1832."—Woodbury's report, *S. D.* 13, 23d Cong., 2d Sess., p. 13.

tages not furnished by other competitors—in other words, better rates. It can surprise no one that such was the case. The bank had decided advantages over all other competitors. It had branches all over the United States, and therefore its machinery was much more suitable and adequate than that of any state bank, while its large capital permitted it to deal in exchange far more extensively than other institutions.

The rates of exchange between the western offices and from the West and South to the East and North ranged from par to 2½ per cent. The average rate was probably from par to 1½ per cent.,[1] the average for 1829 being less than three-fourths of 1 per cent.[2] The rates from the East to the West and South were much higher than the rates on the East from the South and West. Between the eastern offices the rates were low. The rates in the West on other western offices were high, in order to discourage bills drawn on western cities, since it was considered that good and paying bills should be drawn on the East or on New Orleans. Thus the rates between the western offices were almost as high as the rates on the East, and sometimes higher than these.

Not only did the bank buy bills, but it sold drafts.[3] Each of the offices sold drafts on the others and on state banks. These operations were also very considerable, amounting in 1829 to $24,384,232,[4] and in 1832 to $45,157,424.[5] The

[1] See Appendix VII.

[2] "The gross profit on the purchase of bills, arising from the rate of exchange at which they were purchased, amounted, in the year 1829, to 227,224 dollars or less than three-fourths per cent."—ADAMS, *Gallatin's Writings*, Vol. III, p. 343. Woodbury points to the fact that the state banks bought exchange cheaper than the Bank of the United States. He uses the rates of 1834. These, of course, are not apropos. One might as well use state-bank figures for 1839.

[3] "These consist of two correlative but distinct operations. The bank purchases at Philadelphia and at every one of its offices bills of exchange payable at different dates and on all parts of the United States where there are such offices, and the bank and its offices sell their drafts on each other payable at sight."—ADAMS, *Gallatin's Writings*, Vol. III, pp. 343, 344

[4] *Ibid.*, p. 343. [5] *S. D.* 17, 23d Cong., 2d Sess., p. 180.

premium charged for selling drafts was slightly lower than that on bills of domestic exchange. It ranged from par to $\frac{1}{2}$ and 1 per cent. The most common rate was $\frac{1}{2}$ per cent.[1] Besides selling its own drafts, the bank collected drafts drawn by other institutions and individuals. The amount of this side of its exchange business was large.[2] The charge for collecting was moderate.

The Southwest and West, as already pointed out, constituted the great field for these operations. What was the proportion of the whole business done in these sections? Early dealings were slight, aggregating some $8,890,000 in 1824 and being less than 29 per cent. of the bank's entire purchases of inland exchange bills. In 1827 they were 32 per cent.; in 1829, almost 46 per cent.; in 1830, over 56 per cent. In 1832 they were over 60 per cent., and did not again fall below 50 per cent. until 1835. Here was a remarkable increase in the proportion of the business done in the West and Southwest to the whole business done, running from less than 29 per cent. in 1824 to over 60 per cent. in 1832.[3] In the former year the western dealings were not as large as the southern and only a little over half as large as those of the North and East, while in 1832 they were in excess of those of the North, East, and South. That is, nine offices in the Mississippi and Ohio valleys did a larger business in exchange than all the other offices combined.

But this comparison of the business of the West and Southwest as against total business does not reveal all the significance of this surprising increase, for business in the East and South was by no means at a standstill. Hence, to get a true conception of exchange transactions in the West and Southwest, one must compare the business in that locality with itself at different periods. In 1824 the total sum

[1] See Appendix VII. [2] $42,096,062.07 in 1832.—*S. D.* 17, 23d Cong., 2d Sess., p. 180.

[3] See Appendix VIII.

of western and southwestern purchases was $2,540,000; in 1828, $8,140,000; in 1831, $27,000,000; in 1832, $40,900,-000. That is, the volume of the purchases of exchange in these sections had more than trebled from 1824 to 1828, was over ten times greater in 1831 than in 1824, and over sixteen times greater in 1832 than in 1824.[1] This simple statement reveals at a glance the increase of exchange investments in the Southwest and West in accordance with Biddle's plans. The sale of drafts had increased in a like ratio.

The offices which did most of the business were only four or five in number. Thus from 1829 to 1832, including both these years, the four offices of New Orleans, Nashville, Louisville, and Lexington did over four-fifths of all the exchange business of the West and Southwest. For the remaining years of the history of the bank the first three of these offices, with the addition of the two branches of Mobile and Natchez, did over four-fifths of the whole. Lexington becomes much less important, while Natchez, an office started late in the life of the bank, more than takes its place. New Orleans, being the great entrepot for all the commerce of the Mississippi valley and the valleys tributary to the Mississippi, was the center of exchange operations; it was the branch where most bills were purchased, and on which the offices of the West drew most bills.[2] About two-fifths of

[1] The figures are computed from the added monthly totals.

[2] Biddle describes the system thus: "It will be perceived, ... that, ... the funds of the bank have naturally sought a temporary employment in those sections of the Union where there is less banking capital, and where the productions of the great staples of the country seem to require most assistance in bringing them into the commercial market. This observation applies especially to New Orleans, the centre and the depository of all the trade of the Mississippi and its tributaries. The course of the western business is to send the produce to New Orleans, and to draw bills on the proceeds, which bills are purchased at the several branches, and remitted to the branch at New Orleans. When the notes issued by the several branches find their way in the course of trade to the Atlantic branches, the western branches pay the Atlantic branches by drafts on their funds accumulated at the branch in New Orleans, which there pay the Atlantic branches by bills growing out of the purchases made in New Orleans on account of the northern merchants or manufacturers, thus completing the circle of the operations. This explains the large amount of business done at that branch."—*H. R.* 460, 22d Cong., 1st Sess., pp. 316, 317.

the exchange transactions of the four or five offices already noted was done by New Orleans alone, or from over 34 to over 45 per cent. of the exchange purchases throughout the whole of the western country, and from over 15 to over 33 per cent. of these transactions throughout the entire country.[1] Of the offices in the West which ranked next after the New Orleans branch, sometimes one, sometimes another engaged more extensively in this line of banking.[2]

On what offices were most of these bills drawn? Biddle states that the bills were "purchased at the several branches" in the West, "and remitted to the branch at New Orleans." This office paid the eastern offices for the collection of the western note issues "by bills" on the East growing out of the purchases "made in New Orleans on account of the northern merchants or manufacturers." In other words, the western branches drew on New Orleans, and New Orleans on the eastern offices. In the main the statistics available bear out the assertions. It is to be noted, however, that during 1831 and 1832 this system of operations was not adhered to. The drawings in the West and Southwest on western cities increased very materially, a state of affairs which was not contemplated in the beginning and extremely undesirable.[3]

1 Biddle, in his explanation of the business to the committee of 1832, gave a table containing the amount of the business in exchange for 1831. The total is $48,562,185.32, and of this sum the purchases at New Orleans footed up $9,470,184.38, or over 19 per cent. of the whole. The amount accredited to all the western and southwestern offices is $22,452,760.32, which gives over 42 per cent. of the business of the West in exchange to New Orleans.—*H. R.* 460, 22d Cong., 1st Sess., p. 318. Similarly, figures for the year 1832 give the whole amount of exchange bought at $67,517,000. The amount at New Orleans is $13,251,000, or over 19 per cent. of the entire sum. In the western offices these dealings footed up a total of $34,627,000, of which the sum accredited to New Orleans is over 37 per cent.—*S. D.* 17, 23d Cong., 2d Sess., p. 180. At p. 192 a table shows practically the same facts for 1833; total, $71,761,370.86. New Orleans's share, $14,439,367.80, or over 20 per cent. Total western, $32,582,000; New Orleans over 40 per cent. of this.

2 *H. R.* 460, 22d Cong., 1st Sess., pp. 316, 317; see Appendix VIII.

3 According to McDuffie's table for March, 1830, total dealings in domestic exchange were for that month $10,100,000. The sum purchased in the West equaled $5,700,000, of which $2,100,000 were drawn on the Atlantic offices, mostly by the branch

Though the bank had expanded everywhere through the years 1831 and 1832, it was as a consequence of the extravagant dealings in inland exchange in the Southwest and West that the greater part of the debt to it had been created, and in this particular it acted incautiously and foolishly. Adams was convinced "that the Bank had been somewhat imprudent in her issues and accommodations" in 1831;[1] and one of the directors at New York wrote Biddle that "as it turned out we done harm last fall" by "letting out."[2] The situation was summed up exactly by a Philadelphia banker, no doubt Girard, who, after seeing the report of the bank's condition for 1831, wrote to a friend:

I confess I am alarmed at the picture. Their loans have been increased in the year from forty-five to sixty-six millions, while their specie has decreased from twelve to seven millions. The bank has now outstanding that vast amount of loans—(which it will be difficult to reduce or call in,) its specie low—no funds in Europe to draw for; on the contrary, in debt a million and a half—exchange at eleven per cent. premium—specie shipping by every packet— . . . . more than twenty millions of their notes in circulation, which the pressure of the times will bring back upon them rapidly—and their private deposites liable to be withdrawn. They have acted like madmen, and deserve to have conservators appointed over them.[3]

Having unduly expanded, the bank found itself in a perilous situation by October, 1831. Specie was rapidly

at the mouth of the Mississippi. Of the remaining $3,600,000, $2,500,000 were drawn on the same office, leaving only $1,100,000 bought on the offices up the Mississippi, mostly by the branches down the Mississippi.—*H. R.* 358, 21st Cong., 1st Sess., pp. 39-41. According to the figures in Toland's report for the month of October, 1832, out of a total of $16,304,000 expended in the purchase of inland bills of exchange, $10,053,-000 were spent in the West and Southwest. Out of this sum only $1,545,000 were drawn on the East, while $7,300,000 were drawn on the West and Southwest. The amount drawn on New Orleans was a little over one-half of the whole, being $3,900,-000. The remaining $3,331,000 were drawn on other western offices.—*S. D.* 4, 22d Cong., 2d Sess., p. 12. *Ex. Doc.* 8, 22d Cong., 2d Sess., is identical with *S. D.* 4.

1 J. G. Watmough to Biddle, May 11, 1832, *B. P.*

2 Saul Alley to Biddle, March 21, 1832, *ibid.*

3 Cambreleng, quoting letter of Feb. 16, 1832, from a dead banker friendly to the bank.—*C. D.*, Vol. X, Part II, pp. 2380, 2381.

running out of the country,[1] a sure proof that the paper currency was redundant and prices inflated. Directors were urging that the exportation be stopped by the sale of foreign bills and expressing fear that the state banks would secure the bank's fund of specie.[2] Meanwhile the bank was so hard pressed for funds that Biddle notified the American agent of the Barings that it would be compelled to draw to the limit of its standing credit of $1,000,000 with that house, and, if possible, to increase the credit by another $1,000,000 on which bills of exchange might be drawn to be repaid later at 5 per cent.[3] The bank evidently could not stop the exportation of specie, because it lacked funds on which to draw bills of exchange. The government added to the embarrassment by calling for its deposits in order to pay off part of the public debt, and doing this without giving the bank timely notification of its purpose. The final blow came when the treasury demanded payment of $6,000,000 to discharge the 3 per cents.[4]

Hereupon, on the 7th of October, 1831, the day after Biddle's letter to the agent of the Barings, the bank turned[5] to the task of procuring the necessary means by creating a

[1] Biddle to Lawrence, Dec. 6. 1831, *P. L. B.*, Vol. IV, pp. 48, 49.

[2] S. Alley to Biddle, Oct. 17, 1831, *B. P.*

[3] To T. W. Ward, Oct. 6, 1831, *P. L. B.*, Vol. IV, pp. 28, 29.

[4] "I never recollect any of your Treasury measures which has worked more crossly for all concerned."—Biddle to A. Dickins, Nov. 29, 1831, *ibid.*, pp. 46, 47. "I wish you would ask Mr. McLane what he means to pay next—and above all let us not have any more payments without a moment's warning, like the last caprice."—Biddle to Cadwalader, Dec. 27, 1831, *B. P.* The payment of public debt for 1832 was calculated to amount to $18,080,057.—*H. R.* 121, 22d Cong., 2d Sess., p. 162. See McLane's letter, Sept. 29, 1831, *H. R.* 460, 22d Cong., 1st Sess., pp. 542, 543.

[5] "The unusually heavy reimbursement of six millions of funded debt, ... is calculated to press very inconveniently upon the parent bank, and upon the office at New York; the more so, from our uncertainty as to the time when the necessary provision must be made, and from the prevailing active demand for money. Be pleased, therefore, so to shape your business immediately, as that, without denying reasonable accommodations to your own customers, or sacrificing the interests of your office, you may throw, as early as possible, a large amount of available means into our hands in Philadelphia and New York, and, at the same time, abstain, as far as practicable, from drawing upon either of those points."—Circular of Oct. 7, 1831, *ibid.*, p. 19.

contraction of its business, issuing orders to that effect to all the offices, instructing them to diminish discounts and to purchase bills of exchange with the object of transferring funds to the East. Nor was the board content with this, but as time passed it urgently repeated its orders again and again.[1] Finally, on July 29, 1832, after seven months of contraction, it issued instructions that "the western and southern offices . . . . decline the purchase or discounting of any domestic bills of exchange, except when it may be necessary to secure a debt already due to the bank or the offices,"[2] thus cutting off all new loans; and these stringent orders were not relaxed until September 29, 1832.[3]

In the face of these frantic efforts to contract, the expansion of the bank's business went steadily forward from October, 1831, to May, 1832. For the entire period the advance was in the nature of a triumphal march, never for one moment suffering check or pause until, on May 1, the loans had reached a sum never before approached,[4] the contemplation of which must have been terrifying to the managers. The amount was $70,400,000, as against $60,101,000 at the beginning of October, 1831, while the net note issues rose from $19,708,000 to $21,377,000. The attempt to contract began to show results, however, after the beginning

[1] *Ibid.*, pp. 521-7; Documents 13-22.

[2] *S. D.* 4, 22d Cong., 2d Sess., p. 27.

[3] *H. R.* 121, 22d Cong., 2d Sess., pp. 140, 146. "Resolved that the Committee on the Offices be authorized to modify the instructions under which the offices of the bank have been acting."—Report of Biddle, Sept. 21, 1832, *ibid.*, p. 27. "The President stated to the board, that the Committee on the Offices, ... had deemed it advisable so to modify the instructions to the offices at Lexington, Louisville, St. Louis, Cincinnati and Pittsburg, as to allow them to check freely upon the bank as heretofore, and to extend their purchases in domestic bills."—Minutes of Oct. 4, 1832, *ibid.*

[4] The monthly reports show the following facts: The total loans rose from $60,101,000 at the end of Sept., 1831, to $70,400,000 at the beginning of May, 1832, and fell from $70,400,000 at the beginning of May to $63,600,000 in October, standing $2,500,000 above what they were when the contraction began. The net circulation in Oct., 1832, was $19,487,000 as against $21,377,000 in May, 1832, and $19,708,000 in Oct., 1831.—*Ex. Doc.* 523, 23d Cong., 1st Sess.

of May. The entire movement is clearly revealed by the chart.

The marked increase of the bank's transactions in the face of this strenuous attempt to reduce took place at the offices in the South, the West, and the Southwest, especially at Charleston, Savannah, New Orleans, Mobile, Natchez, and Nashville. Adding the other western offices to these, the expansion amounted to just $10,587,000, counting from the last day of September, 1831, to the first day of May, 1832, actually exceeding the figures for the whole expansion for that period. Taking the western and southwestern branches alone, the total expansion was $9,000,000. Of this $1,385,000 was in discounts, the remainder in bills of domestic exchange.[1] The chart for these offices on p. 151 reveals at a glance the astonishing increase.

Meanwhile the bank had also attempted to curtail at the eastern and most of the southern offices,[2] with the result of keeping down loans, though contraction did not really begin even at Philadelphia until the end of May, 1832.[3] The offices of Boston, New York, Baltimore, and Philadelphia succeeded most completely,[4] but at no time did the reductions equal the augmentations at the other offices. The means

[1] The whole of the bank's purchases of inland exchange was, in April, 1832, $23,052,000, of which the western and southwestern share was $13,952,000; in June the total was $22,577,000, western and southwestern, $14,342,000. Reducing the matter still further, the amounts of domestic exchange for New Orleans, Natchez, Mobile, and Nashville for three months are as follows: April, $10,594,000; May, $10,816,000; June, $10,059,000, being nearly half of the business done in domestic exchange. This at four out of twenty-six offices of the bank.

[2] It has already been pointed out that Savannah and Charleston were serious delinquents. Slight failures to meet demands for contraction were found at Richmond, Norfolk, Fayetteville, Burlington, Hartford, Portsmouth, and Portland.

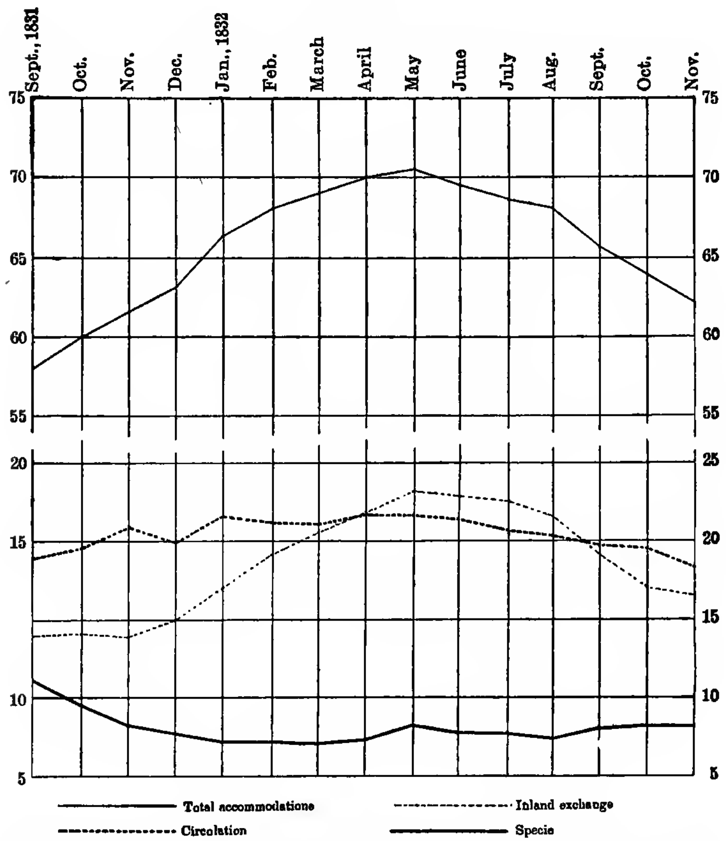
[3] "Offerings today

Offerings today	$265,851
Income	157,647
Excess of offerings	108,204
Rejected	112,300
Discounted within income	$4,096

"The first time for many months that we have been able to keep on the right side."— Cadwalader to Biddle, May 29, 1832, *B. P.*

[4] For all four offices the reduction from January to November was $5,516,000.

CHART II



MOVEMENTS OF DISCOUNTS, OTHER LOANS, AND CIRCULATION, IN THE FACE OF AN ATTEMPT TO CURTAIL BUSINESS

secured in the East thus went to pay the debts incurred in the other sections of the country, and the bank was still without the funds needed to meet the government's requisitions. That such would be the result had become apparent to Biddle as early as March, 1832, and out of this situation sprang the attempt to postpone the payment of the 3 per cent. stock which the treasury had directed to be paid.[1] It was only by securing this postponement that the bank could meet the government's demands. It was, in short, in a very grave position, and had to use every possible means to extricate itself.

While there was actually no diminution in the bank's loans, there was a real and severe pressure occasioned by its attempts to reduce. This would, of course, be true in the East and South, for there the bank had actually reduced its accommodations.[2] Yet, curiously enough, the most intense pressure was felt in the West, where there had been no contraction whatever. The cashier of the branch at Cincinnati writes in November, 1832, that the "demand for money" at that place is "enormous," and that the branch would "have a severe struggle for some time to resist it."[3] The cashier at Nashville declares that "bills of very short dates and of undoubted character, drawn and offered by persons we were desirous to accommodate," have been rejected.[4] In another letter he remarks on the "unexampled scarcity of money" in Alabama and Tennessee, and prays for the privilege of discounting, if that privilege is to be extended to any office, because the branch at Nashville is the center of a population which is suffering for the want of a circulating

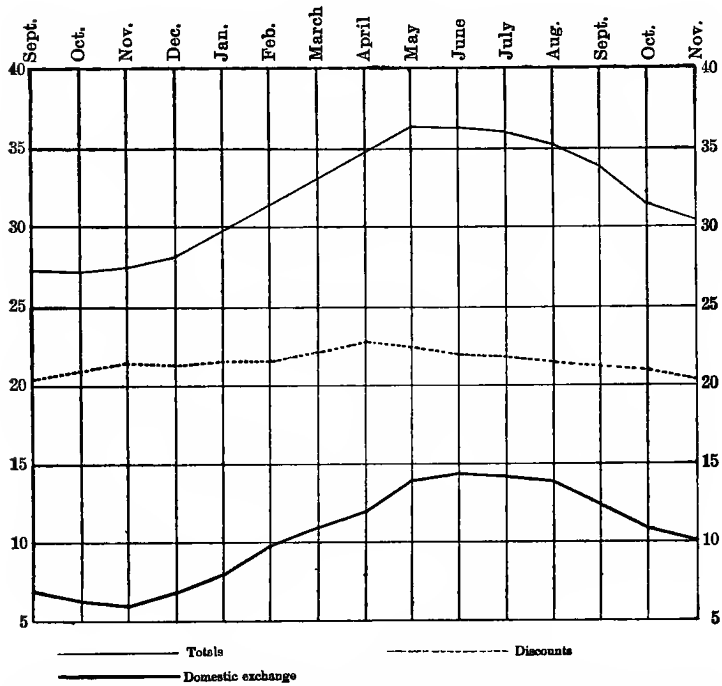
[1] See chap. xi, "Charges against the Bank."

[2] Wayne, of Georgia, declared that "the want of money at this moment is driving our merchants to all those shifts and expedients to raise it which usually precede bankruptcies."—March 13, 1832, *C. D.*, Vol. VIII, Part II, p. 2144. See also NILES, Vol. XLII, p. 20, and Vol. XLIII, pp. 17, 18. Evidence of Lippincott, *H. R.* 460, 22d Cong., 1st Sess., p. 548; of Sullivan, *ibid.*, p. 554; of Neff, *ibid.*, p. 563.

[3] Nov. 21, *H. R.* 121, 22d Cong., 2d Sess., p. 149.

[4] Nov. 26, 1832, *ibid.*, p. 154.

CHART III



EXPANSION AT THE WESTERN AND SOUTHWESTERN OFFICES IN THE FACE OF AN ATTEMPT TO CONTRACT, SEPTEMBER, 1831–32

medium.[1] A gentleman in Cincinnati writes that "the distress for money here at present, is greater than can be well imagined, ... The brokers get readily one-fourth of one per cent. per day."[2] Similar complaints of a lack of money came from other western offices, yet at this very moment the offices complaining were piling up debt upon debt by the purchase of bills of domestic exchange. The explanation is simple: The actual expansion in the West was so much below the demand for loanable capital there that the effect was that of a severe contraction; and if there had been no attempt to reduce, the increase in the amount of western loans would have been infinitely in excess of what it was.

All this embarrassment to the bank and all this distress to the community had arisen from Biddle's plan of operations in the western and southwestern country at a moment when the demands for capital were excessive. The business of the bank in these sections was almost entirely based upon the crop. Money was advanced to grow the crop, and the loan paid out of the proceeds when the crop came to market.[3] The bills of exchange by which these loans were made were frequently six-months paper. In case of a sudden demand upon the bank, such paper was certain to occasion considerable embarrassment. So it would if the crop failed even partially. Something like this is what happened in 1831 and in 1832. The crop was short in both years.[4] When to this were added excessive

[1] "It is reported here, ... that the Louisville office has received instructions to discount *bills* for money. If this be true, then allow me, ... to solicit similar instructions to this office; for I assure you, that no portion of the Union contains a more suffering population, for lack of a circulating medium, than does that portion of which this office is the focus."—Cashier at Nashville to cashier at Philadelphia, Oct. 21, 1832, *H. R.*. 121, 22d Cong., 2d Sess., p. 151.

[2] NILES, Vol. XLII, p. 436, Aug. 18, 1832, quoting from the New York *Courier and Express*.

[3] *H. R.* 460, 22d Cong., 1st Sess., pp. 316, 357, 358.

[4] NILES, Vol. XL, p. 271, and Vol. XLI, p. 34. See, however, pp. 164, 165, where he complains that low prices are certain on account of over-supply. "And, to add

importations and disturbances arising from a visitation of the cholera, it will readily be supposed that the bank could not get its debts paid when they fell due. Nor could it secure foreign bills to send abroad in order to check specie drains, since foreign bills were drawn for the most part upon the cotton crop.[1]

But if the difficulty had not manifested itself in 1831–32 it would have done so later, for the cause lay in the nature of western loans and in the character of the western directorates; it lay in the purchase of bills at six months' time; in that constant renewing of discounts which was customary in the West and Southwest; in the loan of money on a crop yet unmarketed, ungathered, unsown even. This was not correct banking; and, worse yet, the men who had to make the loans were ignorant, careless, and interested in their sections rather than in the bank.

The letters of branch officials reveal these facts clearly. Thus the cashier at Louisville wrote to Jaudon in November, 1832, admitting that the difficulties arose from the too great extension of its loans,[2] that there had been overtrading at

to our difficulties last season, we had a very short crop of cotton, so that our own drafts, predicated on the crop and payable at New Orleans, could not be paid out of the crop."—President of Nashville branch to Biddle, Nov. 24, 1832, *H. R.* 121, 22d Cong., 2d Sess., p. 47. Sommerville, in his letter of Oct. 21, 1832, speaks of "the severe disappointments . . . . occasioned by the unlooked for frost of the 25th October last."—*Ibid.*, p. 149. Again, in November, he mentions "the difficulties of another unfavorable crop," and further on in the same letter, "the redrawing of the last season, produced by the failure in the crops in that quarter [*i. e.*, Alabama]."—*Ibid.*, p. 155.

1 BIDDLE, *H. R.* 460, 22d Cong., 1st Sess., pp. 319, 320. "The situation of the country at this period is very delicate. We have had on the one hand an excessive importation, on the other hand a crop short in amount, diminished in value and coming in at a time unusually late."—Biddle to Samuel Swartwout, of New York, Feb. 27, 1832, *P. L. B.*, Vol. IV, pp. 189, 190. For the difficulties arising from the cholera alarm, C. W. Lawrence, New York, to Biddle, June 28, 1832, says that it makes it difficult to reduce.—*B. P.*, Feb. 9, 1832. Biddle anticipated difficulties from that source. —To I. Lawrence, *P. L. B.*, Vol. IV, p. 157.

2 "Encouraged by the excessive importations at the east, our merchants have been induced to purchase more largely than their own means or the necessity of the country required: hence the embarrassment which now exists."—*H. R.* 121, 22 Cong., 2d Sess., p. 145, Nov. 18, 1832.

the branch, and that some of the bills purchased comprised worthless paper.[1] The result was that "nothing but the indulgence of the bank" and "a full year's products of the country"[2] could relieve the situation. The position of the branch was one of "peculiar delicacy." The cashier admits that bills of exchange sent to Louisville to be collected are not collected, but other bills are taken instead. That is, the other branches forwarded bills to Louisville for collection, and the parties at Louisville, not being able to pay, were allowed to settle by selling other bills of exchange on some other branch. The amount of such transactions is not known, but $4,000,000 of collection paper had been sent to Louisville in the year just past.[3] The branch could not reduce its loans; indeed, for a time they might "be a little increased," because of the "pork business" and "the tobacco and hemp exports."[4] The cashier at Pittsburg bears witness to similar conditions, declaring that the loans on inland bills cannot for the present be lessened, and admitting that the branch has discounted paper known to be objectionable, since it *now* declines all notes "not payable at maturity, and of a business character."[5] The cashier at

[1] "I do not mean to say all our bills have a real business origin: we are doubtless often imposed upon by fictitious transactions."—*H. R.* 121, 22d Cong., 2d Sess., p. 144.

[2] *Ibid.*, p. 145.

[3] "We have been, and still are, in a situation of peculiar delicacy; . . . .

"A large proportion of our bills were purchased to enable the parties to meet their obligations sent here for *collection:* the amount of such collections has been at least *four millions of dollars* in the past year, of which about one half came from the Bank of the United States and the office at New Orleans.

"By a hasty estimate, the bills collected for the office at New Orleans, amount, for the past twelve months, to upwards of $1,300,000, and a large amount is still on hand coming to maturity."—*Ibid.*, p. 144, Nov. 18, 1832.

[4] *Ibid.*, p. 145.

[5] "In reply to your letter of the 10th instant, I remark, that the bills purchased in the west, are founded on transactions, and that the amount could not be lessened, at this time, without inconvenience to our customers; but, in a few months, I have no doubt, the operations here, in exchange, will be as limited as may be desired. Our manufacturers are diminishing their products, because the office is more cautious in its loans, declining all new notes which are not payable at maturity, and of a business character, and calling in, by regular reductions, those on time heretofore discounted."—Nov. 17, 1832, *S. D.* 4, 22d Cong., 2d Sess., p. 31.

Cincinnati asserts that for the present it seems impossible to reduce discounts. Evidence of renewal is apparent here also, for "as fast as good bills of exchange are offered, to be applied to discounted notes, they are purchased."[1] At Nashville both the president and the cashier of the branch declare that renewal is the best, in fact the only means of meeting the situation.[2] In the preceding October the president had declared that the scarcity of money and the refusal of the branch to do business where money had to be advanced had compelled the renewal of all bills falling due within the four months preceding, the bills of exchange by which the renewals were made being purchased for six months and passed on to some other office for payment. "This operation," he concluded, "has swelled our domestic bill account very much, without lessening the debts due to this office very sensibly as yet."[3] Bills renewed at New Orleans had been again renewed at Nashville after having been sent there for collection.[4] A request from Biddle that the term for bills should be restricted to four months brought back the answer that "bills payable six months after date" were for as short terms as "ought to be taken."[5]

[1] "Our discount line does not go down as fast, I am afraid, as the parent board wish. . . . . Our board are struggling to get it down, and we hope to be able to do so soon, but at present it appears to be impossible."—Nov. 21, 1832, *H. R.* 121, 22d Cong., 2d Sess., pp. 148, 149.

[2] *Ibid.*, p. 155, Nov. 26, 1832, and *ibid.*, p. 47, Nov. 24, 1832.

[3] "The unexampled scarcity of money in both Alabama and this State, and our refraining from doing business wherein money is to be advanced on either note or bill, has compelled us to discount safe bills at six months advance, to enable debtors to the Orleans and other offices to meet the paper deposited with us for collection. In this way have all the bills been paid which were remitted to us for collection from the Orleans and other western offices since the month of June last."—*Ibid.*, p. 150, Oct. 21, 1832.

[4] "In consequence of which, drafts to a very large amount have been drawn by the commission merchants of New Orleans on their friends here, and made payable at this office. Those drafts could not be met when due, at this office, by the payment of cash on account of its scarcity; and no other means could be resorted to but drafts again on New Orleans, which our directory thought right to purchase."—*Ibid.* p. 47, Nov. 24, 1832.

[5] *Ibid.*

Biddle admitted that many bills had to be taken up at Nashville by redrafts, but considered the number actually drawn excessive.[1] In reply to this the president at Nashville acknowledged that too many bills were bought, "amounting to more than the present crop of cotton and tobacco will pay."[2] But there was no help for it; the bills had to be taken or protested, and protests would have led to many failures and endless embarrassments. The amount of redrafts for the summer and fall amounted to over $1,000,000.[3] Notes and bills still to fall due could be met only in the same way,[4] while it was probable that the branch would add not less than $400,000 of its own debts to this total.[5] The president of the Nashville branch declared that it would be impossible anyhow to "get the debts due this office paid; . . . . the means" were "not in the country."[6] Payment could not be expected before May or June, 1833.[7] The officials complained that three times the ordinary amount of bills had been sent them for collection.[8] Under these circumstances they considered it their duty to renew the notes maturing during October and November, but when these "mature again" they would "insist upon payment either by bill or otherwise," and, if the debtors did not pay

[1] "We are aware that many bills have returned upon this office which it was necessary to take up by redrafts, but still the amount exceeds much what had been anticipated by the board."—*H. R.* 121, 22d Cong., 2d Sess., p. 46, Nov. 10, 1832.

[2] Nichol to Biddle, *ibid.*, p. 47, Nov. 24, 1832.

[3] *Ibid.*, pp. 47, 154, 155.

[4] "There are some thousands of dollars of bills from Orleans and other offices yet to mature, which can only be met through our bill operations."—*Ibid.*, pp. 157, 158.

[5] "What portion of our own debts may be turned into bills, I cannot now form a satisfactory estimate, not less perhaps than $400,000."—Cashier to Biddle, Nov. 26, 1832, *ibid.*, p. 158.

[6] Nov. 22, 1832, *ibid.*, p. 153.

[7] *Ibid.*, p. 47.

[8] "The parent bank, and the offices at New York, Baltimore, Washington, Richmond, Pittsburgh, Cincinnati, Louisville, and Lexington, have been and still continue the practice of discounting bills and notes made payable at this office, and forwarding them here for collection. This has been done this season, too, I would say, three times the amount of any previous year."—*Ibid.*, p. 47, Nov. 24, 1832.

they would bring suit, "unless in such cases as justice would dictate the propriety of further indulgence."[1] The propriety of further indulgence! At New Orleans the same kind of business was done, the figures for renewal at Nashville showing that most of the bills were drawn at New Orleans.[2] Indeed, New Orleans must share with Nashville and Louisville the discredit of being the source of most of this bad business. In May, 1832, in answer to a letter from Biddle expressing astonishment and dismay at the bill purchases at New Orleans, Cashier Jaudon defended the action of the branch. This was ominous, for Jaudon was a tried employee of the Philadelphia office, and if he could err so grievously there was little hope that others would keep the strict letter of instructions or practice more conservative methods.[3] The

[1] "Under such circumstances, and on mature reflection, under the difficulties of another unfavorable crop, without money to supply the deficiency, and frequent discussions on the subject, the board considered it a faithful discharge of the important responsibilities confided to it, to renew the notes maturing within the last and the present month, and when these shall again mature, to insist upon payment, either by bill or otherwise; and, in the event of failure to pay, to sue the debtor unless in such cases as justice would dictate the propriety of further indulgence."—*Ibid.*, pp. 155, 159, Nov. 26, 1832.

[2] Bills collected from Sept. 1 to Nov. 26, 1832:

Bank of the United States	$147,473
New Orleans	746,893
All the others	203,061
	$1,097,427

—*Ibid.*, p. 157.

[3] Bills business of New Orleans for western offices 1830–31, October to October:

Office	Amt. of bills collected by Office N. O. for	Amt. of checks in favor of B. U. S. & northern offices, drawn on N. O. office by
Nashville	$2,421,301.26	$2,350,000
Louisville	775,002.68	910,000
Lexington	398,627.33	500,000
Cincinnati	396,947.25	930,000
Pittsburg	25,018.82	187,000
	$4,016,897.34	$4,877,000

"Thus it appears, that we are not only obliged to pay at the north the whole amount of bills remitted to us by the Western Offices; but that we are obliged to pay at the north also, for a large amount of our notes which are collected by the Western offices." Difficult to get northern funds. A further demand on New Orleans from notes of the offices taken in the western country. New Orleans office at the end of its devices for means to pay all this, so have attempted payment by drawing bills

perilous business of the bank was not entirely confined to the West, however, for there are hints of something of the sort at Richmond[1] and at Charleston,[2] while, as already seen, neither Charleston nor Savannah was able to reduce.

These bills and drafts drawn "to pay" other bills, drafts, and notes coming to maturity were what were known as "racers" or "race-horse" bills, by which loans were made perpetual. As a result there was "the payment of debts" up the Mississippi by bills on New Orleans; "the payment" of these by bills on Nashville and other western offices, and "the payment" of the bills on these offices by more bills on New Orleans and on other western towns. The iniquity of the business was naïvely disclosed by an advocate of the bank in 1834, in what he supposed was an argument conclusive of the bank's usefulness to the West and Southwest:

Commercial houses, all through the Western States [said Senator Porter of Louisiana] having credit, and doing business with those of our city, have drawn late in the summer, or early in the autumn, bills of exchange on New Orleans, and sold them to the

on the western country.—Jaudon to Biddle, May 16, 1832, *B. P.* Another New Orleans statement of business with western offices in 1830–31, October to October:

Office	Bills Collected at this Office for	Notes of this Office Remitted to Us from
Nashville	$547,179.56	$431,940
Louisville	469,293.54	542,385
Cincinnati	197,162.67	706,300
Pittsburgh	65,673.36	193,475
Lexington	30,714.24	211,430
	$1,310,023.37	$2,085,530

"This shews again, as the former statement shewed, a sum of 7 or 8 hundred thousand Dollars, which we could not find the means of paying in the Western Cities; and were therefore obliged to allow to become a charge against us at the North." So they are paid "by purchasing Bills on the western cities, and so far diminishing the amount which they can make chargable against us at the North."

"Our notes collected at the two great points, Nashville and Louisville, are nearly met by bills bought on those places."—*Ibid.*

[1] "Your assurance that the paper lately taken is of such a character as will not require to be renewed, is gratifying."—McIlvaine to Richmond office, Jan. 19, 1832, *H. R.* 460, 22d Cong., 1st Sess., p. 518.

[2] Biddle to president of Charleston branch Jan. 30. 1834, *S. D.* 17, 23d Cong., 2d Sess., p. 78.

> branches established in their respective States. With the money drawn from this source, the planter and the farmer have been supplied, ... Its utility, however, did not stop here. A few months run round, the crops are gathered, delivered to the merchant, and transmitted to New Orleans for sale. There then happens what might be expected in all cases where considerations of personal advantage enter into the calculations we make of the future. It is found that the planter has estimated too largely his crop; he falls in debt to his merchant, and he in return has a balance against him in the city where the produce was sold. The bank steps in again, and purchases from the factor in New Orleans, a draft on the House in the Western country, and in that way enables the produce of a second crop to be got to market before payment is really demanded. What I now state, has been every year's transactions for several years back.[1]

This was renewing with a vengeance, and, since it had been the transaction every year "for several years back," it follows that one debt was piled on top of another year after year and that final payment was still far in the future.

What Porter said revealed clearly enough the whole situation, and a comparison of the figures for exchange bears out his statements. It shows that at New Orleans the sums expended in the purchase of bills were very small in the beginning of the year, large in the early summer months, and small again in the autumn. At Nashville the sums were generally large at the beginning of the year, and then diminished till at the end of the year they were very small. The reason for this difference lay in the fact that bills were drawn on New Orleans at Nashville early in the year, and came back renewed six months later to Nashville from New Orleans. What proportion of the bills purchased in the West was of this permanent character it is impossible to say. Polk's committee declared that, if all the bills in the Mississippi valley were of the same character as those at Nashville, "at least $7,000,000" were "secured by paper" which

[1] *C. D.*, Vol. X, Part I, p. 706, Feb. 25, 1834.

was "running from branch to branch, waiting for crops to be raised to meet" it.[1]

It was this dealing in permanent loans that embarrassed the bank when it needed means in an emergency. How could any bank collect its debts with any facility, when they were out for six, twelve, and eighteen months? No bank could, and the Bank of the United States did not in 1831–32.[2] Though it managed to correct many of the abuses after that date, the difficulties entailed by western banking remained to the end. The state of the Louisville branch in 1834 was no better than in 1832, three-fourths of its debts being practically permanent.[3] When the bank closed many of its offices

[1] "The whole amount of domestic bills under discount in the valley of the Mississippi, in November last, as shown by the monthly statements at the close of that month, was $10,112,106.37. Upon the supposition that it is all in the same condition as the bill debt at Nashville, at least *seven* out of the *ten* millions is secured by paper called *race-horse bills*, which is running from branch to branch, waiting for crops to be raised to meet them, and ruining the drawers with interest, exchange, commissions for endorsement and acceptance, and other expenses."—*H. R.* 121, 22d Cong., 2d Sess., p. 49.

[2] Benton, Jackson, and their associates declared that the bank had first expanded with a political purpose and then contracted with the same purpose. Thus in Benton's speech of July 12, 1832, he said: "Her reasons then assigned for curtailing at the western branches, were false, infamously false, ... the true reasons were political: a foretaste and prelude to what is now threatened." This, after showing that the bank had expanded its business $5,000,000 since the year opened. "The debt had been created for the very purpose to which it was now applied; an electioneering, political purpose." The contraction was a contrivance to press the debtors. "Every where . . . . in the West, the screw was turned far enough to make the screams of the victims reach their representatives in Congress," and so on *ad nauseam.*—*Thirty Years*, Vol. I, p. 258. These charges vanish before the presentation of the facts. The bank was not attempting to create distress in order to secure a renewed charter. This the bank could not have done even had it wished. It was swayed by forces greater than itself. It had no power to extend its accommodations to as great an extent as was demanded; indeed, it wished to keep them down, but could not. Consequently the expansion cannot be charged to political schemes. In the next place, the bank was compelled to attempt curtailment by the action of the government in paying off the national debt. Consequently the troubles of debtors thus caused were not to be charged to participation in politics any more than the previous expansion.

[3] "This office then [Nov. 1, 1833] held three classes of discounted paper.

"1st. Notes payable at maturity.

"2d. Notes on which ten per cent. was required to be paid at each renewal; and,

"3d. Notes renewable, on which no calls heretofore have been made.

"The first class of those notes was all paid in the months of November and December last, ...

"The second class of notes on which ten per cent. is paid at each renewal,

in 1835 and 1836, it protested at one branch alone $405,-280.87, all in bills of domestic exchange.[1] Other losses must have been concealed by the methods of selling the debts to other banks for long credits. Renewals remained common.[2] It must be concluded, therefore, that the later business of the institution in the West was not conservative and sound. But this must not be charged to the bills of exchange. The same losses would undoubtedly have followed on discounted notes. From the letters already quoted it is plain that the discounted notes of the offices had to be renewed, the renewal generally being by turning these notes into bills of exchange. The same facts as to the renewing of notes come out in the report of the Louisville office already referred to. The loans here were in every case notes discounted, and yet the major part was permanent. It was not, then, the form of accommodation which involved loss; it was the granting of accommodations at all to so large an extent. This was rendered possible, and indeed made inevitable, by Biddle's plans for employing the capital of the bank in the West and Southwest; and his system, therefore, must be held responsible.

amounts to this time to about $1,100,000. This class of debts, although considered ultimately very good, is generally due by a description of debtors that cannot well bear any great curtailment; and an attempt to force payments beyond this rate would, I fear, greatly increase our list of suspended debts.

"The third class of notes amounts to about the sum of $600,000, renewable at different periods, from sixty days to six months. This description of notes was generally taken for old compromised debts, real estate sold, &c., and is well secured to the bank, either by mortgage or personal security; but although considered very good, yet it would be difficult to force heavy curtailments on this class of our debtors."—Feb. 4, 1834, *S. D.* 17, 23d Cong., 2d Sess., p. 110. The amount of discounted notes in Oct., 1833, had been $2,343,000. They were at their highest in that month. According to the president's letter, then, the amount of really good paper in local notes must have run from $600,000 to $700,000 and $800,000, while the rest of the $2,400,000 was in the shape of permanent loans. The figures for 1834 show that discounts never fell below $1,780,000.

[1] *Ex. Doc.* 118, 24th Cong., 2d Sess., p. 43. "The second item consists of domestic bills, ... Of these you were already informed that $405,280.87 were under protest at a single branch."—*Ibid.*, p. 48, bank committee's statement.

[2] The committee speaks of "direct renewals of bills" and "the discount of new bills to enable the parties to take them up."—*Ibid.*, p. 48.

The board of directors at Philadelphia seems to have been unaware of the nature of the business done,[1] but the executive officers soon awoke to a realizing sense of the situation. The first intimation of this occurs in a letter from Biddle to Jaudon in April: "I have rarely been so much surprized and startled as at the appearance of your two last weekly statements representing such an extension of discounts of domestic bills widely scattered." He adds that this is in direct conflict with the plan of operations to be pursued, and directs Jaudon to reduce at once.[2] Cashier McIlvaine was more positive that the New Orleans bill business was wrong. "More than two-thirds of the domestic bills purchased," he wrote, "are at 60 days upon the Northern Cities—and a large portion of them must 'come up by the roots.'"[3] In July, as already noted, the bank prohibited the purchase of all bills at the western and southwestern offices, "except when it may be necessary to secure a debt already due to the bank or the offices." In sending these orders Biddle bluntly and truthfully asserted that these bills are "in fact a mere advance by the Bank and the Atlantic offices."[4] He had had this truth thoroughly brought home to him by his experience since October, 1831, and he never forgot it. In November he again peremptorily bids the president at Nashville to "abstain from the purchase of domestic bills, except in reduction of pre-existing debts to the bank,"[5] and in 1834, after getting rid of most of the bills by the contraction of that year, he shuns their renewal, writing in relation to the desire of the Pittsburg office to begin purchases once more: "Unfortunately these bills are mainly in the crop exchanges of the western cities and I

[1] *H. R.* 121, 22d Cong., 2d Sess., pp. 58, 77, 89.

[2] *P. L. B.*, Vol. IV, p. 256.

[3] To Biddle, June 1, 1832, *B. P.*

[4] To Herman Cope, of Cincinnati, July 30, 1832, *P. L. B.*, Vol. IV, p. 273.

[5] Nov. 10, 1832, *H. R.* 121, 22d Cong., 2d Sess., p. 46.

feel a little afraid of reviving them. I should prefer, if any thing were necessary, an increase of its bills on Philadelphia, but as these are very often made paper—they might not be as good as a direct increase of the local loans."[1] He had had "enough—and more than enough" of "banking in the interior."

[1] To Jaudon, Newport, July 16, 1834, *B. P.*

CHAPTER VIII

THE BANK AND THE DEMOCRACY

THE opinion prevailed in 1829 that the bank was almost impregnable in popular favor, a conviction which was not confined to its friends but found voice in the expressed fear of its enemies. How mistaken it was the consideration of the influences at work against the continuance of the bank will reveal. These influences may all be reduced to five heads: the widespread belief that the bank was unconstitutional, the hostility of the states, the opposition of state banks, the rise of the Democracy, and the envy and hatred which the poor always feel for the rich.

Sumner considers the constitutional question as having no vitality when Jackson's first message was delivered,[1] and it must be conceded that it had less vitality at this moment than ever before. Nevertheless, the belief in the bank's unconstitutionality was still vigorous, and was extremely prevalent in Virginia, Georgia, Ohio, Kentucky, Tennessee, and South Carolina, and only less so in the other southern and western states. Though it had been quiescent for years, the discussion of the constitutional question was certain to arise as soon as the proposition to re-charter was broached.

The undying hostility of the states, which believed their rights infringed and feared the centralizing tendencies of the bank, was intimately connected with the constitutional question. In South Carolina and Georgia the "states-rights" party opposed the bank almost exclusively for the latter

[1] SUMNER, *Jackson* (revised edition), p. 283. As one fact to the contrary it may be stated that resolutions against the bank's constitutionality were introduced in the South Carolina legislature in 1828.

reason, though they were also influenced by the conviction that it was injurious to the material welfare of the state.[1] In the West similar objections were offered; in Kentucky the struggle over the "relief system" involved the bank and made it very unpopular; in 1825 Governor Desha, of that state, bitterly denounced it in his annual message; in Tennessee the state law imposing a tax upon any branch established there was not repealed until 1827; in Ohio the commonwealth persisted in opposition until 1824; in Alabama the governor and legislature protested against the establishment of a branch in 1827; in Connecticut an attempt was made in 1829 to tax the stock held by its citizens;[2] and in 1830 South Carolina imposed a tax of 1 per cent. upon the dividends of stockholders resident in that state.[3] In New York, state pride was offended because Philadelphia and not New York city was the location of the bank; while of still deadlier import was the struggle for commercial supremacy between the two cities, to secure which the bank was of great importance. The situation was further complicated by the political rivalry between the two states. In the scramble for national honors Pennsylvania politicians were forced to support, New York politicians to oppose, the bank. It was of fatal import to the institution that at this juncture the Democracy of New York was headed by Martin Van Buren, the acutest politician of his day and an enemy of the bank.[4] The hostility

1 "The truth was not to be concealed, that in all those States in which the income of the Government vastly exceeds its local expenditures, the operation of the Bank of the United States is felt with more or less severity and inconvenience." Such was the case in South Carolina, and the bank was therefore unpopular there.—HAMILTON, of South Carolina, Dec. 21, 1827, *C. D.*, Vol. IV, Part I, p. 853.

2 *H. R.*, 460, 22d Cong., 1st Sess., pp. 290–92.

3 NILES, Vol. XXXIX, p. 460. Imposed in Dec., 1830, and declared by the state court of appeals not unconstitutional.—State *ex rel.* Berney *vs.* Collector, 2 BAILEY, 654 (South Carolina Reports).

4 In 1826 Van Buren declared against the bank.—Benton's letter to the Mississippi state convention, Dec. 16, 1834, *Extra Globe*, Vol. I, p. 402. In 1829 his message as governor contained a phrase which evidenced dislike of all national monopolies. Van

of the states as a whole, however, was less pronounced in 1829 than at any other period of the bank's existence.

The opposition of state banks whose interests were involved arrayed a powerful party against the bank. It had forced many of them to restrict their business by compelling payment for their notes in specie, and it had been particularly active and particularly offensive in this respect in the South and West. Consequently it could count upon opposition from most of these corporations. Other reasons were operative also, as a review of the situation in New York will show. Here, as elsewhere, the bank reduced the profits of the state banks, because it loaned at 6 per cent., being compelled to do so by its charter, while the New York banks, which might legally have charged 7 per cent., were compelled to loan at the lower rate because the big bank did so; another reason for hostility was found in the safety-fund system which bound the politicians and the bankers in a common union. The politicians expected to control the New York banks through this system, but could not reach the Bank of the United States; while the bankers felt that they were subjected to restraints not imposed upon the national bank, and cherished the dislike which the members of one system are apt to feel for those under another and unfriendly system.[1] These remarks relative to New York will show how the conflict of interests was likely to be united with the opposition of politicians. Yet it is true that, as in the case of constitutional objections and state opposition, the local institutions were distinctly more friendly to the

Buren opposed the bank on other than constitutional grounds: "'Van Buren, you are against the bank on the ground of its unconstitutionality.' He said, 'Oh! no, I believe with Mr. Madison that the contemporaneous recognition of the constitutional power to establish a bank by all the departments of the government, and with the concurrence of the people, has settled that question in favor of the power.'"—Interview with Van Buren, James A. Hamilton, in a letter to a friend, Nov. 28, 1829, *Reminiscences*, p. 150.

[1] The center of the union of state politicians and banks was the Farmers and Mechanics' Bank at Albany.

national bank in 1829 than at any other time. Many of them petitioned that it might be re-chartered.

Democracy, devoted to the principle of equality, is opposed to all forms of privilege, and to none more than to a monetary monopoly. When it is recollected that the Bank of the United States was at that time the one great monopoly in the country, and that against it were directed all the passionate opposition and fear which today fall upon banks, railroad companies, and trusts, its danger from the rising power of that fierce Democracy which with Andrew Jackson swept over the country may be faintly measured. The Democracy was positive that the bank was a menace to the political and social interests of the United States; that it made "the rich richer and the poor poorer;" that it depressed the weak and made "the potent more powerful;" that it accentuated the differences of society, creating on the one hand a powerful aristocracy and on the other hand an impotent and beggarly proletariat. These opinions were especially prevalent in the West, where Democracy was most powerful. While the other factors in the determination of the bank's fate had been diminishing in potency, this had increased with every year since the granting of the charter.

Inextricably linked with the Democratic opposition was the ceaseless hostility between rich and poor, the envy and hatred of the man who has nothing for the man who has much, the ill-will which the debtor eternally cherishes for the creditor; all the social arguments directed against the bank gathered force and passion from this feeling and at the same time added to it.

These were the forces which worked toward the destruction of the bank. What were the conserving forces? For the most part persons interested in the bank and conscious that they were so: its employees, its debtors, its stockhold-

ers; enlightened business-men who understood the value of the bank; statesmen of the nationalizing school, who would uphold the bank because they believed it to be in accordance with the political principles they professed; and finally a motley crowd of noisy politicians and newspaper men. These factors of strength could not be very important. The employees could have no weight in politics; the debtors were only a few thousands; politicians would inevitably follow the majority; the statesmen would be compelled to yield principle to expediency; while the enlightened business men would be of more injury than assistance to any cause they supported, for they belonged to that intelligent class whose influence upon American affairs has always been inconsiderable, partly because they are not interested in politics, partly because they are themselves objects of suspicion to the democratic masses. There remained the stockholders. The distribution of the stock was consequently of some moment in determining the strength of the bank. In July, 1831, there were 4,145 stockholders, of whom 466 were foreigners.[1] This small number of people, and mostly people who took little or no interest in politics, could give the bank no popular strength, and the dreadful fact that foreigners held stock, and that among these were English lords and ladies, was a source of positive weakness to it. Add to this that the bulk of the domestic stock was localized in the states of Massachusetts, Pennsylvania, New York, Maryland, Virginia, and South Carolina, and it is plain that the bank could derive little assistance from the distribution of its stock.

Any additional support of the bank would spring from the realization of its usefulness to the general public: its services in supplying a sound currency, in managing the business of the treasury efficiently and cheaply, and in furnishing banking accommodations at a reasonable rate.

[1] NILES, Vol. XLI, p. 112. For the distribution of the stock see Appendix IX.

But these were virtues hidden from the vulgar and could never be made apparent to them because of the abstruseness and involved nature of financial discussions. The bank's hold on popular favor was consequently of the most tenuous kind; as Webster said, popular prejudice once aroused was "more than a match for ten banks;" and it was certain that in a conflict with a popular president the bank had not the faintest hope of success. That it failed to realize this was its error and its misfortune.

The beginning of the bank struggle may be dated from December 13, 1827, on which day P. P. Barbour, of Virginia, introduced in the House of Representatives a resolution directing the sale of the bank stock owned by the government.[1] It was suspected that this movement portended "the beginning of an attack" which would "lead to permanent distrust in the stability of the institution,"[2] and the price of the stock immediately fell. It was also believed that the act indicated the hostility of Jackson politicians to the bank.[3] The motion to adopt the resolution was lost by the overwhelming vote of 174 to 9,[4] a result which caused the stock to recover its standing in the market and convinced many that the bank would be re-chartered.[5]

1 *C. D.*, Vol. IV, Part I, p. 815.

2 John Sergeant to Nicholas Biddle, Dec. 13, 1827, *B. P.*; Gorham's remarks, Dec. 21, 1827, *C. D.*, Vol. IV, Part I, p. 843. The intention was disavowed by Barbour.

3 Hamilton, of South Carolina, said that "many an old fundholder" would "exclaim — there, you see how it is the moment these Jackson men have got possession of the House; away goes the Bank of the United States 'sky-high,' and we shall next see the 'military chieftain,' after his election, making his way, sword in hand, into the vaults of the Bank, and seizing its coffers as his especial portion of the booty after the strife and victory. Be quiet, gentlemen. Be assured we do not mean to run our heads against the Bank of the United States — and this our vote will show." —*Ibid.*, p. 854. A great many people later would believe that there was more truth than humor in this description of what Jackson would do.

4 *Ibid.*, p. 858.

5 Some believed that the vote was "conclusive in favor of a renewal of the charter of the bank." — NILES, Vol. XXXIII, p. 275. Barbour's motion occasioned Rush's very favorable notice of the bank in the report of 1828. "At the time the Bank was attacked last winter, for so it was in effect, I took my determination not to leave the Department without placing upon record my testimony of its vast value to the nation." — Rush to Biddle, Dec. 10, 1828, *B. P.*

The next attack was made incidentally by Senator Benton in February, 1828, in a series of resolutions relative to the sinking fund. Though there was no direct reference to the bank in the resolutions, yet the senator's speech in support of them reveals a purpose to attack it as an institution enjoying undemocratic privileges at the expense of the people; for he constantly refers to the balances of public money in the bank as "the gratuitous deposites," and the whole purpose of his resolutions was to reduce these deposits.[1] In December, 1828, Benton pertinaciously resumed the aggressive in a series of resolutions, one of which declared that the Bank of the United States "ought to be required to make a compensation . . . . for the use of the balances of public money on its hands."[2] On the 6th of January he spoke to his resolutions, devoting considerable attention to the sums of public money in the keeping of the bank and advancing the astonishing argument that the provision in the charter which permitted the secretary of the treasury to remove the deposits "included the right to make terms for letting them remain."[3] This was far from being the opinion of the Committee on Finance, which reported on the 20th of February, controverting Benton's arguments and asserting that the bonus had been paid in consideration of the privilege of holding the deposits.[4] But Benton's attack upon the privileges of the bank had its effect upon popular opinion, and later he asserted that the attempt to secure compensation for the balances was the actual beginning of the struggle with the bank.[5]

[1] *C. D.*, Vol. IV, Part I, p. 379.

[2] *Senate Journal*, 20th Cong., 2d Sess., p. 48, Dec. 23. Benton's hostility did not escape the bank. "You will see from the papers," wrote Senator Samuel Smith to Biddle, "that Colonel Benton has renewed his attack on the Bank."—Dec. 27, 1828, *B. P.*

[3] *C. D.*, Vol. V, p. 19.

[4] *S. D.* 92, 20th Cong., 2d Sess., pp. 4, 5.

[5] "Mr. President, it does seem to me that there is something ominous to the bank in this contest for compensation on the undrawn balances. It is the very way in which the struggle began in the British Parliament which has ended in the over-

The next act of opposition grew out of circumstances attending the election of Jackson in 1828. Complaints were made that the branches at Lexington, Charleston, Portsmouth and New Orleans had attempted to secure Jackson's defeat At this time Amos Kendall, who was just beginning to assert his dominance of Jackson's political thinking, Isaac Hill, a pettifogging politician and newspaper editor of New Hampshire, and Francis P. Blair, of Kentucky, an editor who had borrowed from the bank and had apparently settled his account at a loss to the institution,[1] were the principal authors of these charges. Kendall and Blair were infected with the monetary heresies which then raged in Kentucky, and both believed that the bank had participated in campaigns for the purpose of overthrowing the "old court" party. The complaints against the Kentucky branches were communicated to Biddle as early as January 1829, coming from the Democratic congressmen of that state through Postmaster McLean, who suggested the selection of directors "from both political parties." He also furnished from Colonel R. M. Johnson a list of members of the Jackson party in Kentucky who were considered eligible and fit for such positions.[2] Biddle, in reply, repelled the insinuation that the bank's appointments were dictated by political considerations, and repudiated the suggestion of "a system of political balance" as resulting in "almost inevitably" forcing upon the bank "incompetent or inferior persons."[3] He then forwarded the charges to the Kentucky

throw of the Bank of England. It is the way in which the struggle is beginning here. My resolutions of two and three years ago are the causes of the speech which you now hear; . . . . the question of compensation for balances is now mixing itself up here, as in England, with the question of renewing the charter."—Feb. 2, 1831 *Thirty Years*, Vol. I, p. 196.

[1] Leslie Coombs to Biddle, Lexington, July 21, 1831, *B. P.* "I have sent to Mr Clayton the account of Mr. Blair which ought to accompany those of the other editors."—Biddle to John Watmough, April 23, 1832, *P. L. B.*, Vol. IV, p. 220. It appears that Blair owed the bank $20,744 and settled by paying $2,237.—NILES, Vol. XLV, p. 39 quoting J. G. BENNETT; and see MACKENZIE's *Lives of Butler and Hoyt*, pp. 87, 88.

[2] John McLean to Biddle, Jan. 5, 1829, *B. P.*

[3] Biddle to McLean, Jan. 11, 1829, *ibid.*

branches, with a request for information and a warning to avoid all political action.[1] The officers of the branches replied, denying the charges and demonstrating to Biddle's satisfaction that the nominations made by the congressmen were unfit and designed to transform the offices into political machines,[2] while the cashier at Louisville declared that there was a scheme to make a Jackson partisan president of that branch.[3] These explanations did not satisfy the plotters against the bank, who continued to insinuate charges to Jackson, filling his mind with suspicions to which he gave free expression.[4]

Under these circumstances Secretary Ingham, of the treasury, was persuaded by Senator Woodbury of New Hampshire to make complaint to Biddle of the noxious activity of Jeremiah Mason, president of the Portsmouth branch. Woodbury wished that Ingham should use his "influence at the mother bank in producing a change."[5] Ingham requested that the charges be investigated, intimating that Mason was using his place for political purposes.[6] Two weeks earlier Biddle had received a letter of a similar tenor[7] from Woodbury, and, almost simultaneously with Ingham's, one written by Isaac Hill to two gentlemen in Philadelphia, intended for his perusal and containing two memorials. The first of these was from a number of merchants at Portsmouth complaining of the business methods of the branch, and the second was from the Jackson members of the New Hampshire legislature, uttering similar complaints and containing a list of names for directors, four of which were those of Jackson men.[8] This cumulative attack from the

[1] *S. D.* 17, 23d Cong., 2d Sess., pp. 298, 299. [2] *Ibid.*, pp. 301, 302, 304, 305.
[3] Feb. 12, 1829, *B. P.* [4] Ingham's *Exposition*, NILES, Vol. XLII, p. 315.
[5] Woodbury to Ingham, June 27, 1829, *H. R.* 460, 22d Cong., 1st Sess., pp. 439, 440.
[6] Ingham to Biddle, July 11, 1829, *ibid.*, pp. 438, 439.
[7] Biddle to Ingham, July 18, 1829, *ibid.*, p. 441.
[8] Isaac Hill to J. N. Barker and John Pemberton, July 17, 1829, inclosing memorials of June 27 and June 29, *ibid.*, pp. 472-4.

secretary, the senator, the second comptroller of the treasury, the New Hampshire legislature, and the merchants of Portsmouth, added to the action in regard to the Kentucky branches and the charges against the branch at New Orleans, convinced the board of directors that there was an organized attempt to convert the bank into a Democratic party machine. The animus of the attacks was revealed, they thought, in a sentence in Woodbury's letter declaring that Mason was "a particular friend of Mr. Webster, and his political character is doubtless well known to you," and another sentence in Hill's letter which asserted that "the friends of General Jackson in New Hampshire have had but too much reason to complain of the management of the branch at Portsmouth." The opinion of the directors has been adopted by most historians, who believe that Jackson's hostility is to be dated from the repulse of the attempt. This opinion has the corroborative weight of assertions made by Daniel Webster, John C. Calhoun, and John Quincy Adams. It is, however, only partially true. In so far as it involves Hill and Woodbury, it may be accepted, but the implication of Jackson and the bulk of the party is demonstrably false. Ingham also disclaimed any such pur pose both in his letters to Biddle in 1829,[1] and agairrst 1832, asserting that he acted as a friend in order "tc sup- the meditated destruction of the bank."[2] His disclr.tainly strengthened by the fact that he was ignorant of therpois- of his subordinate, Hill, who was behind the wholeıy other

Ingham's letters, therefore, as showing an int Democ-
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that Mason's

[1] "Allow me . . . . to assure you, that those charged with the ad the Government, ... disclaim all desire to derive political aid th tions of the bank."—To Biddle, July 11, 1829, *ibid.*, p. 439. Si expressed in the letter of Oct. 5, *ibid.*, pp. 456–62.

[2] NILES, Vol. XLII, p. 315.

[3] "The communication made to the Bank of the United Stat accompanying two memorials, was wholly unknown to me, unti in your letter."—Ingham to Biddle, Oct. 5, 1829, *H. R.* 460, 22d (

make a party machine out of the bank on the part of the administration, or as revealing the source of Jackson's enmity to it, may be safely neglected. On the other hand, they prove that Democratic politicians believed that they had ground for complaining of the bank. The truth is that the vast majority of the bank's officers and directors were drawn from the ranks of the party hostile to Jackson, not because the bank supported this party, but because most of the business men were unfriendly to Jackson, and the officers and directors had to be selected from the ranks of the business men. Yet this result, so simple and obvious, naturally appeared to Jackson and his supporters exceedingly hostile. By the Jackson Democrats the opinion was firmly held that the branch at Portsmouth was a political engine; that Mason, an aggressive and influential politician and the close personal friend of Webster, owed his appointment to these circumstances, and especially to Webster's influence[1] —in which latter surmise they were quite correct[2]—and that Mason then "undertook to establish" the bank's "absolute control over both parties."[3] Hill, in his letter of July 17, 1829, asserted that all now asked was that it should "not continue to be an engine of political oppression by any intety;"[4] while in 1832 he declared that the branch "was The fı a party engine previous to the last Presidential elecmouth its directors were exclusively of one political party— and thers were dispensed with a view to affect that election; Hampshıs the principal instrument to give, in the choice of taining a f President in 1828, a small majority to the party those of Jıte which has ever since been in a minority."[5]

[1] S. D. 17, 23c to Ingham, June 27, 1829, *H. R.* 460, 22d Cong., 1st Sess., p. 440
[3] Feb. 12, 1829 mouth office which we have this day arranged agreeably to your
[5] Woodbury tc — Biddle to Webster, Aug. 14, 1828, *P. L. B.*, Vol. II, p. 410.
[6] Ingham to Bi
[7] Biddle to Ingh Vol. I, p. 256, quoting a letter from Portsmouth.
[8] Isaac Hill to J. 'ong., 1st Sess., p. 472.
rials of June 27 and Jı Part I, p. 1062, June 8, 1832.

The Ingham correspondence is of still greater import as revealing the attitude of the Jackson Democracy toward questions of privilege and monopoly, and consequently toward the bank. It shows that the party from its political principles was necessarily hostile to the bank, and that Ingham believed, as did McLean, the Kentucky congressmen, Kendall and Hill, Woodbury, and Major Lewis, that only "checks and counterpoises" would provide "a just equilibrium;" in other words, that only by having an equal number of directors from both parties could the bank be kept out of politics. This was absurd, since the bank's interests could only be injured by adopting any such principle for the selection of its directors. On the other hand, it was a great privileged monopoly, and therefore justly obnoxious to the democratic theory of equality. Ingham pointed this out by asserting that two opposing principles struggled for control in the management of the bank: the democratic, which held "that the bank ought to exist exclusively for national purposes, and for the common benefit of all," and the aristocratic, which held that it was the "prominent use" of the bank "to strengthen the arm of wealth, and counterpoise the influence of extended suffrage in the disposition of public affairs."[1] Whatever may be said about the first principle, it is manifestly false to assert that anyone supported the second. The stockholders of the bank certainly did not invest their funds with the purpose of counterpoising "the influence of extended suffrage" or for any other political purpose. It was enough, however, that the Democracy believed that they did, and that it was correct in considering the bank as enjoying exclusive privileges in which the masses could not participate.

The political charges against the bank were rendered effective by the complaints of the merchants that Mason's

[1] *H. R.* 460, 22d Cong., 1st Sess., p. 465.

course was offensive to them.[1] The truth is that the office at Portsmouth had been too free with its accommodations, and had consequently fallen into difficulties during the pressure of 1828. Hereupon the board had elected Jeremiah Mason president, and that gentleman proceeded rigorously to cut off accommodations and collect the debts of the branch.[2] In this he had been eminently successful. He had reduced the time of the renewal of accommodation loans from 120 to 60 days, and had insisted on the payment of 20 per cent. of the notes before renewing them, instead of 10 per cent. as previously.[3] In pursuing these measures Mason acted only as a business-man, but his acts were excessively irritating to debtors and gave an opportunity to the politicians.

Biddle, whose apprehensions had been keenly excited by the similar complaints about the Kentucky offices, immediately replied to both Woodbury and Ingham, repelling the charges, and, incited by his suspicions, wrote a second letter to Ingham showing a spirit of uncompromising hostility both to what he considered an attempt to involve the bank in politics, and to the "official lecture," which he thought the secretary was not justified in delivering.[4] Ingham believed himself unjustly treated and retorted sharply in a letter which, according to General Cadwalader, revealed "the writhing of the scotched snake."[5] In Biddle's opinion it revealed far more than this: it announced relations between the bank and the administration which he was not inclined to admit. "The Secretary of the Treasury believes," said Biddle, "1st. That the 'relations between the Government and the bank' confer some supervision of the choice of the officers of the

1 Memorial of June 27, *H. R.* 460, 22d Cong., 1st Sess., p. 473.

2 Biddle to Ingham, July 18, 1829, *ibid.*, p. 442.

3 *Extra Globe*, Vol. I, p. 256, quoting a letter from New Hampshire.

4 Two letters of Biddle to Ingham, July 18, 1829, *H. R.* 460, 22d Cong., 1st Sess., pp. 440-46; to Woodbury, June 30, 1829, *P. L. B.*, Vol. III, pp. 55, 56.

5 General Cadwalader to Biddle, undated, *B. P.* See Ingham's letter of July 23, *H. R.* 460, 22d Cong., 1st Sess., pp. 446-8.

bank, ... 2d. That there is some 'action of the Government on the bank' not precisely explained, but in which he is the proper agent; and, finally, 3d. That it is his right and his duty to suggest the views of the administration as to the political opinions and conduct of the officers of the bank."[1] Ingham had not said as much as this, but he had talked of suggesting the government's views as to the "proper management" of the bank. His letter certainly did not tend to change Biddle's opinion of the motive behind it, nor his desire to teach the secretary to mind his own business, and he wrote Cadwalader outlining a reply, which should be sent by the latter, as it "would come better from you and would annoy the individual more." He was glad, he said, that they had withstood him.[2]

Biddle had scarcely dispatched this letter to Cadwalader when he was still further confirmed in his conviction that the real battle was with the administration for the bank's integrity, by the receipt of a letter from Mason stating that at Hill's instigation an attempt was being made to remove the pension funds of the government from the Portsmouth branch to a state bank in Concord, of which Hill had formerly been president.[3] Immediately afterward the secretary of war ordered the removal of the funds to the Concord bank.[4] "It requires little prescience," wrote Cadwalader, "to see in these disgusting developments the germ of a course of systematic hostility against the Bank. In the hands of impartial and independent men the institution is not what they wish to make it — an engine of subserviency to their political objects."[5] Nor was this the only added complication. Secretary Ingham objected to paying the com-

[1] Biddle to Ingham, Sept. 15, 1829, *ibid.*, p. 452.

[2] From Utica, July 27, 1829, *B. P.*

[3] Mason to Biddle, July 31, 1829, *H. R.* 460, 22d Cong., 1st Sess., p. 475.

[4] Aug. 3, *ibid.*, pp. 476, 477. The bank withstood the attempt and it failed.

[5] To Biddle, Aug. 4, 1829, *B. P.*

mission charged by the bank for transferring government funds abroad, asserted that he could procure the service elsewhere at a cheaper rate, and threatened to place part of the public deposits with a state bank, which would oblige the administration by making the transfers for 1 per cent. commission instead of for $3\frac{1}{2}$.[1]

Ingham was now thoroughly exasperated, Biddle only less so: "If we must fight," exclaimed the latter, "I want no fairer battle ground."[2] After investigating the Portsmouth affair, he wrote to Cadwalader: "I can now say with the utmost confidence that the whole is a party intrigue got up by a combination of small bankrupts and smaller Demagogues."[3] The business opposition to Mason melted completely away in the face of investigation.[4] Indignant at the attempts which he believed were being made upon the bank's independence, Biddle returned to Philadelphia and wrote a withering reply to Ingham, in which he took the liberty of inferring the three points already noted as involved in Ingham's earlier letter.[5] This action was "altogether unexpected" by the guileless secretary, and "created a strong impression;" in fact, he was deeply incensed that these meanings should have been read into his letter, and indignantly repudiated them, at the same time asserting that the administration did have power over the bank by its authority to appoint five directors and the secretary's right to remove the government deposits.[6] The whole letter, along with Asbury Dickins's comments to Biddle on his

[1] Cadwalader to Biddle, Aug. 10, 1829, *B. P.*

[2] To Cadwalader, Albany, Aug. 16, 1829, *ibid.*

[3] Biddle to Cadwalader, Aug. 28, 1829, *ibid.*

[4] The complainants were asked to meet Biddle at the branch. "They came; and some said that they had signed the petition because they had been asked to do so; some said that they had no knowledge of the subject; and others said that they had signed it because of the difficulties they found of getting discounts."—WEBSTER in the Senate, Feb. 20, 1838, *Congressional Globe*, 25th Cong., 2d Sess., p. 192.

[5] Biddle to Ingham, Sept. 15, 1829, *H. R.* 460, 22d Cong., 1st Sess., pp. 450-56.

[6] Ingham to Biddle, Oct. 5, 1829, *ibid.*, pp. 460 and 462.

letter of the 15th of September,[1] leaves no doubt that the secretary was much more ingenuous in his correspondence than Biddle and most historians have supposed. Dickins's regretful warnings and pleadings for conciliation convinced Biddle that he had possibly misjudged the secretary, and in answer to Ingham's letter, spun out to a prodigious length and full of the sputterings of inappeasable and helpless wrath, he returned a good-tempered reply closing the correspondence.[2] "You shall not complain of me now," he wrote to Dickins, "for I have written as conciliatory as possible an answer to the voluminous and belligerent epistle of your chief."[3] It is evident that Biddle had mistaken the purpose and temper of the secretary, who had blundered into a position favorable to Hill, but resented with indignation the imputation of "a connexion with the movements of these other people,"[4] the Hills and Kendalls, whose tool he was, but not their conscious coadjutor.[5]

What effect did this *contretemps* have upon Jackson? If his own word can be credited, little or none. He wrote to Biddle:

I feel very sensibly the services rendered by the Bank at the last payment of the national debt and shall take an opportunity of declaring it publicly in my message to Congress. That is my own feeling to the Bank—and Mr. Ingham's also—He and you got into a difficulty thro' the foolishness—if I may use the term of Mr. Hill. Observing he was a little embarrassed I said Oh that has all

[1] Asbury Dickins to Biddle, Oct. 5, 1829, *B. P.*

[2] Biddle to Ingham, Oct. 9, 1829, *H. R.* 460, 22d Cong., 1st Sess., pp. 469–71.

[3] Oct. 9, 1829, *P. L. B.*, Vol. III, p. 76.

[4] Biddle to Dickins, Sept. 30, 1829, *ibid.*, pp. 73, 74.

[5] Parton asserts that Hill's rejection by the Senate to a subordinate post in the treasury was probably considered by Jackson due to the bank.—PARTON, *Life of Jackson*, Vol. III, p. 274. This is highly improbable. Benton has no mention of it. The alleged reason was that Hill had made a scandalous attack upon Mrs. Adams in his newspaper.—*Ibid.*, and ADAMS, *Memoirs*, Vol. VIII, p. 217. This was sufficient reason. There is no trace in the Biddle correspondence of Biddle's having communicated the Portsmouth affair to any of the politicians before the investigation of 1832. It was kept very quiet.

passed now. He said with the Parent Board and myself [yourself ?] he had ever[y] reason to be satisfied—that he had heard complaints and then mentioned a case at Louisville—of which he promised to give me the particulars.

I said Well I am very much gratified at this frank explanation. We shall all be proud of any kind mention in the message—for we should feel like soldiers after an action commenced by their General. Sir said he it would be only an act of justice to mention it [*i. e.*, the bank's services to the government].[1]

This extract shows Jackson amused, indifferent, and open in his attitude, perhaps a little contemptuous as regards poor Ingham, whom he certainly did not like, and whose discomfiture was in all probability more pleasing to him than otherwise.

The next movement against the bank foreshadowed Jackson's attack in his first message. On the 30th of November Amos Kendall informed James Watson Webb, editor of the New York *Courier and Enquirer*, that the president would take ground against the bank in his message, and furnished Webb with a number of queries for publication, in which a scheme of a substitute for the bank was outlined:[2] Would the state banks "take measures to satisfy the general government of their safety in receiving deposits of the revenue; and transacting the banking concerns of the United States?" Would "the Legislatures of the several states adopt resolutions on the subject and instruct their senators how to vote?" Would "a proposition be made to authorize the government to issue exchequer bills, to the amount of the annual revenue, redeemable at pleasure, to constitute a circulating medium equivalent to the notes issued by the United States Bank?"[3] These queries appeared in the *Courier and Enquirer* embodied in an editorial article, with no intimation that

[1] Letter in *Biddle Papers* without date or signature, but undoubtedly Jackson's and written in November.

[2] *H. R.* 460, 22d Cong., 1st Sess., p. 80, shows that the article appeared on the 30th. For the fact see *Memoirs* of J. G. BENNETT, p. 111.

[3] For the queries see NILES, Vol. XXXVII, p. 378, Jan. 30, 1830.

they came from the administration. In them is to be found the suggestion of the removal of the deposits, of the experiment of using the state banks as places of deposit, of an attack by the state legislatures upon the bank, and of a substitute for the bank's currency supported later by Jackson. That the act of Kendall was not an isolated one is shown by the response of the South Carolina legislature. Resolutions were introduced there requesting their representatives in Congress and instructing the senators of South Carolina to oppose the re-charter of the bank unless it were to be confined to the District of Columbia, declaring for a bank without foreign stockholders, and requesting that the Senate Committee on Finance should be asked to report on the feasibility of a national bank without private stockholders.[1]

To Nicholas Biddle these cumulative assaults were a revelation. He believed it necessary to meet the attempts to overthrow the bank which he clearly saw were already making.[2] His method of doing this, after his first ebullition of anger and indignation expressed in the Ingham correspondence, was to adopt the means of conciliation suggested by McLean and Ingham, namely, to appoint friends of the administra-

[1] *Ibid.*, p. 275. Resolutions considered Dec. 15. Agreed to by the senate of South Carolina by a vote of 26 to 10.—*Ibid.*, p. 367.

[2] From this time the bank management believed that there was a settled attempt to secure possession of the bank for political purposes: "And now I have on my table an official communication of the views of the Administration as to the manner in which the Bank ought to choose and remove its officers. . . . . It is regarded generally by the Board as showing a determination to injure the independence of the Bank, on a point where it is peculiarly sensitive as well from duty as from honor—and accordingly they think it should be resisted at all hazards—And so it shall be." —Biddle to Dickins, Sept. 16, 1829, *P. L. B.*, Vol. III, p. 67.

"You do not perhaps know that soon after these people came into power, there was a deliberation in caucus of the most active of the Jackson party as to the means of sustaining themselves in place—and the possession of the Bank was ranked as a primary object."—Biddle to Thomas Cooper, of Columbia, S. C., May 6, 1833, *ibid.*, Vol. IV, p. 481.

The committee of directors in Dec., 1833, made the same charge publicly.—Report of a committee of directors of the Bank of the United States, Dec. 3, 1833, p. 1. Kendall stigmatized the statement as a falsehood.—*Autobiography* of AMOS KENDALL, p. 392. The charge was also denied by Hill, March 3, 1834, *C. D.*, Vol. X, Part I, p. 770.

tion to seats at the boards of the bank and the branches. This was indeed a lame and impotent conclusion after his brave challenge to the secretary, his bold declaration that "for the bank . . . . there is but one course of honor or of safety. Whenever its duties come in conflict with the spirit of party, it should not compromise with it, nor capitulate to it, but resist it—resist it openly and fearlessly."[1] To mitigate the wrath of his enemies and deprive them of their weapon of attack he appointed men who were friendly to the administration as directors at Baltimore,[2] New York,[3] Utica,[4] Portsmouth,[5] New Orleans,[6] and the western offices. He tried to put himself in touch with the administration, opening a correspondence with Major Lewis, Jackson's most intimate and confidential adviser; and he expressed himself "desirous of treating Major Barry with great kindness and liberality"—Major Barry owing money to the bank and being unable to pay it when due.[7]

There has been much conjecture as to the origin and nature of Jackson's opposition to the bank. Historians in general believe that he did not contemplate action in regard to it when he first came to Washington as president. His relations with it, they think, conclusively prove this. It is true that he had been offended by the refusal of the New Orleans branch to cash his drafts on the secretary of state,[8] but he would hardly remember this trivial annoyance. On the other hand, declare Parton and von Holst, he had recommended in 1821 the establishment of a branch at Pensacola, and so late as 1828 the appointment of certain

[1] *H. R.* 460, 22d Cong., 1st Sess., p. 455.

[2] Biddle to ——, at Baltimore, Nov. 22, 1829, DAWSON, *Historical Magazine*, 2d ser., Vol. IX, pp. 10, 11.

[3] Biddle to I. Lawrence, Nov. 27, 1829, *P. L. B.*, Vol. III, p. 96.

[4] Biddle to General P. B. Porter, Sept. 25, 1829, *ibid.*, p. 70.

[5] Biddle to Cadwalader, Aug. 28, 1829, *B. P.*

[6] Biddle to W. B. Lewis, Nov. 29, 1829, *P. L. B.*, Vol. III, p. 97.

[7] Biddle to Lewis, Dec. 7, 1829, *ibid.*, p. 102.

[8] PARTON, Vol. II, p. 596.

officers at the Nashville branch.[1] Now there is no doubt that Jackson had done both of these things, but they have little significance, since nothing is easier than to secure signatures to a petition, which was all that either act amounted to.[2] Moreover, the letter recommending officers for the Nashville branch was not written in 1828, but in 1818. With this correction of dates, the whole weight of the argument is removed, and Jackson's act loses all significance in the determination of his attitude in 1829.[3] Of his opposition to the bank before coming to Washington there exists, moreover, incontrovertible proof. In 1827 Biddle was warned that Jackson had opposed the repeal of the Tennessee law taxing branches established in that state.[4] James A. Hamilton, writing of an interview with Jackson in December, 1827, says that "he expressed strong opinions against the Bank of the United States."[5] He had undoubtedly wished to insert a paragraph attacking the bank in his first inaugural, but had been dissuaded by politicians wiser

[1] PARTON, Vol. III, p. 257, quoting HUGH L. WHITE's *Memoirs;* VON HOLST, Vol. II, p. 32.

[2] See J. Q. ADAMS, *Memoirs*, Vol. VIII, pp. 212, 213, commenting on the fact that Chief Justice Marshall and Justice McLean had actually recommended the notorious Henry Lee for an office, his nomination to which was unanimously rejected by the Senate, "on account of the surpassing infamy of his character."

[3] See the letter in *S. D.* 17, 23d Cong., 2d Sess., pp. 233, 234. In signing, Jackson adds to his name "Major-General Southern Division." He had resigned his commission in 1821 (PARTON, Vol. II, p. 590), and would not have signed in this fashion later than that. The letter, moreover, though undated, is placed by the committee among the documents of 1817. It speaks of the "anticipation of the location at this place of a branch of the United States Bank." This was anticipated both in 1818 and in 1827, but not in 1828. Jackson could not have signed in 1827; see next note.

[4] "Mr. Hill one of the Louisville directors, now here," declares that "Gen'l J——n had done everything in his power to prevent the repeal of the Law in Tennessee taxing the B. U S., and would have succeeded if there had been a delay of a single day more in coming to the decision. The repeal was carried in one of the Houses, as he states, by *one vote.*"—Cashier McIlvaine to Biddle, Jan. 27, 1827, *B. P.*

"The informant of Mr. Hill of Louisville respecting the Hostility of Gen'l Jackson to a Tennessee Branch was Colonel Wm. Robinson of Pittsburgh, who happened to be in Nashville when the subject was discussed, and who stated positively that the repeal was effected in one of the houses by a single vote."—McIlvaine to Biddle, Jan. 29, 1827, *ibid.*

[5] *Reminiscences of James A. Hamilton*, p. 69.

than himself.[1] Again in 1829 Lewis wrote that Jackson had certainly been led to believe "during the *pendency* of the presidential election" that the Lexington branch had acted toward his candidacy in an unfriendly manner, loaning money with the object of defeating him.[2] This conviction gave a personal flavor to Jackson's opposition, yet that opposition was at bottom not personal, but based upon constitutional and social opinions. The bank was in Jackson's opinion unconstitutional, and, as a powerful privileged monopoly, dangerous to society. He himself expressed these ideas freely to Biddle, and at the same time indicated the origin of his dislike of banks:

> I think it right to be perfectly frank with you. I do not think that the power of Congress extends to charter a Bank ought of the ten mile square.
>
> I do not dislike your Bank any more than all banks. But ever since I read the history of the South Sea bubble I have been afraid of banks.[3]

After this naïve and delightfully Jacksonian reason for

[1] Parton considers this a tradition.—Vol. III, pp. 258, 259. Von Holst also considers it a "tradition of the democratic party . . . . not well founded."—Vol. II, pp. 31, 32. But the assertion was made with great particularity by Polk in 1833, and he could not be mistaken: "It was very well known that the opinion of the President, adverse to the United States Bank, was not of recent origin. . . . . At the Hermitage, before he prepared his inaugural address, he had communicated his opinion—a fact which was susceptible of proof. But it was thought best not to make public communication of this opinion, until he should send his first message to Congress. On this account it was not introduced into his inaugural address."—Dec. 30, 1833, *C. D.*, Vol. X, Part II, p. 2263. See also BLAIR, *Extra Globe*, Vol. I, p. 90; Bancroft's Eulogy of Jackson, June, 1845; INGERSOLL, *History of the War of 1812*, Vol. II, p. 264. Jackson, in Sept., 1833, said: "The President's convictions of the dangerous tendencies of the Bank of the United States, ... were so overpowering when he entered on the duties of Chief Magistrate that he felt it his duty, notwithstanding the objections of the friends by whom he was surrounded, to avail himself of the first occasion to call the attention of Congress and the people to the question of its recharter."—*Messages and Papers*, Vol. III, p. 5, paper of Sept. 18, 1833.

[2] "He certainly had been led to believe from the complaints of his friends, during the *pendency* of the presidential election, that the Lexington branch in dispensing its golden favours, in the way of discounts, had manifested great partiality." —Lewis to Biddle, Oct. 16, 1829, *B. P.* Lexington was near Clay's residence.

[3] Letter to Biddle, in *Biddle Papers*, no date, no place, no signature, but indubitably Jackson's, and written in Nov., 1829. See for further expression on the constitutional aspect of the question quotations from same letter, p. 192, *infra*.

fearing all banks, after this frank confession of constitutional scruples, no one need henceforth seek for the motives or the origin of Jackson's opposition. He fails to tell Biddle just when he had read the history of the South Sea bubble, but whenever it happened it fixed him against banks. Let it be noted, too, that his dislike was for banks in general, and not for the Bank of the United States in particular.[1]

[1] "I understand from Dickins . . . . that General Jackson's antipathy is not to the Bank of the United States in particular, but to all banks whatever. He considers all the State Banks unconstitutional and impolitic and thinks that there should be no Currency but coin, that the Constitution designed to expel paper altogether as any part of our monetary system."—C. J. Ingersoll to Biddle, Feb. 2, 1832, *B. P.*

CHAPTER IX

ATTEMPTS TO SECURE JACKSON'S ASSENT TO A RE-CHARTER

BIDDLE was early awake to the possibility of Jackson's enmity, and began immediately to calculate the chances of renewal. In March, 1829, he thought them good;[1] but, anxious to make them better, he bestirred himself to produce a favorable effect upon Jackson. His plan was to convince the president of the usefulness of the bank to the government and to the commercial community in its management of the disbursement of payments of the public debt.[2] He at once comprehended the position held by Major Lewis, and in June addressed a letter to him in reference to the appointment of directors at the Tennessee branch, in which Lewis might presumably be interested.[3] Lewis in return expressed himself as "much gratified at the selection" of directors, and added: "If your Directory is composed of men of influence, and in whom the people have *confidence*, it will have a tendency to prevent opposition in a good degree."[4] In other words, it was advisable to appoint men who were in sympathy with the political party in power, for only such could have the confidence of the people in the sense here implied.

In October, after the brush with Ingham, Biddle became aware that Jackson had personal reasons for supposing the bank inimical to him, and he undertook to remove these

[1] Biddle to Jos. Kingsbury, March 6, 1829, *P. L. B.*, Vol. III, p. 18.

[2] To A. Dickins, May 19, 1829, *ibid.*, p. 43.

[3] As the bank was accustomed to take the opinions of all sorts of persons on such subjects, where these opinions could be useful, there is no valid reason to find fault with this step.

[4] Lewis to Biddle, June 28, 1829, *B. P.*

impressions. He wrote to Lewis regarding the charges made against the Kentucky branches, and to rebut these forwarded a letter from an ardent Jackson partisan who was a director at Lexington, which indignantly denied the truth of the reports, and which he asked Lewis to show to the president.[1] This Lewis did. Jackson was pleased, Lewis wrote:

> It is gratifying to him . . . . he says to learn that probably there was no just cause for those complaints, or at least, that they possibly had been much exaggerated. He requested me to say, that he has too much confidence in you to believe for a moment, that you would knowingly tolerate such conduct in the Branches of your Bank; but from the complaints which are still made with regard to some of them, particularly the one at New Orleans, he thinks it not improbable that party feeling may yet have some influence upon their operations. . . . . The President thinks, as you do, that the Bank of the United States should recognize *no* party; and that in all its operations, it should have an eye *single* to the interests of the stockholders and the good of the country.

"Some of our friends in Nashville," he continued, complain about directors from outside, and that ought to be corrected "to prevent jealousies and unpleasant feelings."[2] This letter undoubtedly expresses accurately Jackson's attitude toward the bank and its head. It shows that he was still suspicious of political activity on the part of some of the offices; that he believed that the bank should not engage in politics either for or against him; that both he and Lewis thought that Jackson partisans were discriminated against in appointments to the directories; and that Lewis was inclined to place the Nashville office on what he considered a fairer footing by putting more friends of the administration upon its board. His reasons for this are political exclusively. Biddle might well have objected that this was an attempt

[1] To Lewis, Oct. 14, 1829, *P. L. B.*, Vol. III, p. 75.

[2] Lewis to Biddle, Oct. 16, 1829, *B. P.*

which denied flatly the expressed opinion that party considerations should not be intruded into bank affairs, but he recognized that Jackson would consider a refusal to place Democrats on the board as being in itself a political discrimination. Lewis's letter also proves that Jackson was personally well disposed to Biddle, and such was his feeling for a considerable period after this date.[1]

Altogether Biddle saw reason to think that the situation was not a difficult one, and that the most material matter was to disabuse Jackson's mind of the suspicions about the branches. For this purpose he sent a friend to Washington, who reported that the president was satisfied that the parent board knew nothing of the political abuses at the branches, if such abuses existed, and asserted that the bank "was a blessing to the country administered as it was, diffusing a healthful circulation, sustaining the general credit without partiality or political bias."[2] Biddle followed up this auspicious beginning by dispatching the cashier and one of the directors of the New Orleans office to repel the charges against it, and succeeded in dispelling all suspicion. "Not the least doubt remained on his mind," said Jackson, that the charges against the New Orleans office were unfounded.[3]

[1] Thus Jackson always nominated Biddle as a government director until the struggle for re-charter. In July, 1830, Biddle was assured that "he speaks of you in the most exalted terms and says that there is no gentleman that can be found—would manage the Bank—better or—do the Bank and Country more justice."—J. Nichol, president branch of Nashville, to Biddle, July 20, 1830, *B. P.*

[2] "I cannot withhold a moment the pleasure it gives me in saying the result of my visit is most satisfactory, inasmuch as the President expressed himself in the most clear and decided manner friendly to the Bank 'that it was a blessing to the country administered as it was, diffusing a healthful circulation, sustaining the general credit without partiality or political bias that he entertained a high regard for its excellent President, (I use his own words) who with the Board of the Parent Bank possess'd his entire confidence and indeed his thanks for the readiness and cordiality with which they had seemed to meet the views of Government—he said it was true many complaints had been made of partiality in the Branches in Kentucky and New Orleans, but further added if these complaints have any foundation, he was persuaded the Parent board knew nothing of them, and if they did would not sanction them."—M. L. Bevan to Biddle, Oct. 21, 1829, *ibid.*

[3] ". . . . that he was entirely convinced that no hostility to his administration was exercised by the Board of the Parent Bank, and that in reference to yourself

Biddle thought the moment so opportune that he sent word to Lewis urging him to procure from the president a favorable mention in the annual message of the bank's services in making payments of the public debt,[1] to which Lewis replied: "I think you will find the *old fellow* will do justice to the Bank in his message for the handsome manner in which it assisted the Government in paying the last installment of the national debt."[2] And so he did, as anyone may perceive by turning to the message.

It was at this juncture that Jackson politicians received appointments to the branch directories from one end of the country to the other, and Biddle, convinced that the impression made upon the mind of the president was sufficient, determined to seize the favorable moment to assure the bank's future. Perceiving the vanity which was so prominent a feature in the character of Jackson, the astute head of the bank suggested to Lewis that the hero of New Orleans might add new glories to the 8th of January by arranging for the complete discharge of the national debt upon that day in 1833, just before his final retirement. The idea pleased Jackson. "If you see Mr. Biddle say to him the President would be glad to see his proposition for sinking or paying off the three per cent stock," wrote Lewis,[3] and Biddle, con-

particularly he had the most unbounded confidence in the purity of your intentions. . . . . He should have been satisfied, he said by your letter alone of the want of any foundation for the accusations against the office at New Orleans . . . . not the least doubt remained on his mind."—Samuel Jaudon to Biddle, Oct. 26, 1829, *ibid.*

[1] In speaking of the amount of debt paid off in 1829 he naturally would say "that in July last a larger payment of the principal of the public debt was made than was ever redeemed at any former period—that looking to frequent payments of a similar kind in future the effect of that in July was an object of great solicitude and it was very satisfactory to perceive that this large displacement of funds was accomplished without the least shock or inconvenience to any branch of industry—'*a result which it is but justice to ascribe in a great degree to the judicious arrangements of that excellent institution the B. U. S.*'"—Memorandum given to Mr. Walsh Nov. 9, 1829, the substance of which he was to write to Wm. B. Lewis for General Jackson's perusal, *ibid.*

[2] Lewis to H. Toland, Nov. 11, 1829, *ibid.*

[3] *Ibid.* He adds: "He had better write to me when his leisure will permit and I will submit it to the General." A little earlier he had written: "Say to Mr. Biddle

fident that the critical moment had come, submitted a plan for the extinction of the debt through the renewal of the bank's charter.

No suspicion has heretofore arisen that the two presidents ever approximated a relation where one could make and the other consider a proposition of this character. And yet nothing could be more natural. Biddle was not unfriendly to Jackson, while Jackson expressed a hearty regard for him. Why should the two not agree upon a plan for the continuation of the charter and the payment of the national debt at the same time, and thus settle with mutual satisfaction a question which might give rise to future difficulties? So Biddle reasoned. His plan was interesting and brilliant: For a new charter for twenty years the bank would exchange with the government $7,000,000 of 5 per cent. stock held by it for the government's $7,000,000 in bank stock, and then in return for one-half of the 3 per cent. revolutionary stock, the whole of which at the time amounted to over $13,200,000, the bank would assume the government's obligation to pay the whole. In this manner over $20,000,000 of the debt would be paid immediately, leaving only so much as the government could discharge by January or February, 1833. A small part of this, it was true, would not be payable until after that date, and the government's creditors might not choose to surrender it, but in that case the bank, on payment to it of the amount by the government, would assume that portion as well, and thus the country would be completely freed from debt. Briefly stated, this proposition was that the government should present the bank with $13,648,124.72, whereupon the bank would discharge at once $20,296,249.45 of the public debt. At the first glance this looks as if the bank proposed to present the government

the President is much gratified with the report I have made him upon the project of his Bank. All things with regard to it will be well."—Lewis to H. Toland, Nov. 9, 1829, in Biddle's handwriting, *B. P.*

with $6,648,124.73, but it must be remembered that the bank stock which the government held, though nominally worth only $7,000,000, was worth considerably more in the market and would appreciate still further if the charter were renewed. Biddle calculated that it would be worth $8,500,000 in that contingency, but it was already worth that sum, and with a renewed charter it would undoubtedly have sold for ten or eleven millions. Meanwhile the 3 per cent. stock was below par, so that the sum of that stock would have been worth less than $13,000,000. On the whole, the bank would have lost little or nothing if its suggestion had been adopted. Biddle not only made this offer, but said that the bank would probably pay a bonus of $1,500,000, and, for Jackson's benefit, he argued the constitutionality and expediency of the bank at length, declaring that, if the charter were not renewed, three months after its cessation would see a suspension of specie payments in the United States and the ruin of the state banks.[1]

The president's answer to this proposition, contained in what seems to have been the only communication he ever

[1] National debt on Jan. 1, 1830	$48,522,869.93	
Redeemable at pleasure, 5 per cent. bank stock		$ 7,000,000.00
Redeemable at pleasure, 3 per cent. stock		13,296,249.45
Redeemable in 1830 at any time		7,998,793.92
Redeemable in 1831, Jan. 1 and 22		18,901.54
Redeemable in 1832		11,018,900.72
Redeemable in 1833		2,227,363.97
Redeemable in 1834		2,227,363.98
Redeemable in 1835		4,735,296.30
		$48,522,869.93

Biddle then says that in consideration of re-charter, the receipt of the $7,000,000 of 5 per cent. stock subscribed to the bank for the government's shares, and of half the 3 per cents. (say $6,648,124.72), the bank will give the government $7,000,000 of 5 per cent. stock and assume the payment of the principal and interest of the whole $13,296,249.25 of the 3 per cents., "thus striking off $20,296,249.25 of the debt." A long calculation is then entered into showing that the rest of the debt, with the exception of $2,145,036.04, can be discharged on Jan. 1, 1833. The bank would probably take this from the government, on payment of the principal to it, thus relieving the government entirely from debt.—Biddle to W. B. Lewis, Nov. 15, 1829, and again on the 17th, *P. L. B.*, Vol. III, pp. 84–91. Biddle's addition in the cents columns is erroneous.

directed immediately to Biddle, is interesting and curious, and should have revealed to the latter Jackson's position:

> Mr. Biddle: I was very thankful to you for your plan of paying off the debt sent to Major Lewis. I thought it my duty to submit it to you.
>
> I would have no difficulty in recommending it to Congress, but I think it right to be perfectly frank with you. I do not think that the power of Congress extends to charter a Bank ought of the ten mile square . . . . I have read the opinion of John Marshall who I believe was a great and pure mind—and could not agree with him—though if he had said, that as it was necessary for the purposes of the national government there ought to be a national bank I should have been disposed to concur.[1]

This was a plain negative to Biddle's project, stating frankly Jackson's constitutional objections, yet revealing at the same time his opinion that a bank was necessary to carry out the financial operations of the government and constitutional if established in the District.

Biddle immediately went to Washington for an interview with the president and his advisers. The arguments he offered are unknown, but Jackson merely repeated what he had already written.[2] Biddle was pleased with the interview, however, writing to Robert Lenox that he "found with great pleasure a friendly feeling towards the Bank in the minds of the President and his particular friends who formerly entertained different views."[3] These particular friends were not members of the cabinet, for he said later that he

[1] Letter without date, place, or signature.—*B. P.* cf p. 134 + 179

[2] "In regard to what passed at Washington I speak of it with great reserve, but to you, I have none—and will therefore say that the President spoke in the highest terms of confidence in the administration of the Bank—and particularly of the assistance which the Bank had afforded to the Government, in July last—of which he intended to bear public testimony in his message to Congress. He mentioned that he doubted the right of the Government to incorporate a Bank out of the District."—Biddle to Senator S. Smith, Jan. 2, 1830, *P. L. B.*, Vol. III, pp. 129, 130.

Biddle's plan of a re-charter was sent on the 15th and 17th. On or immediately after the 17th he went to Washington, and returned on the 26th.

[3] To Robert Lenox, Dec. 4, 1829, *P. L. B.*, Vol. III, p. 99. See also letter in DAWSON'S *Historical Magazine*, Nov. 22, Vol. IX, 2d ser., p. 10.

had no conversation with "any other member of the administration."[1] Lewis was, of course, one of the particular friends, but he had never "entertained different views."[2] It is necessary to infer that the others were various members of the Kitchen Cabinet. No doubt he had also learned that a majority of the cabinet was favorable to the bank.[3] But he had failed completely to perceive in the obscure background the menacing and sinister figure of the most powerful, most determined, and most subtle enemy of the bank, Amos Kendall. The attitude of Van Buren was likewise unguessed.

So confident was Biddle of a favorable issue that he spoke unguardedly to his friends of what had passed at the interview, and it was reported to Jackson that he had given assurances to individuals in Baltimore "that the charter should be renewed" with the good-will of the president.[4] Jackson was surprised and offended, declaring that he had never given any such assurances, and that "Major Biddle acknowledged my frankness to him on this subject to Major Lewis and others." He suspected that Biddle had spread the report in order to facilitate speculation in the stock.[5] He declared that he was "pledged against the Bank"[6]—a

[1] To John McKim, Jr., of Baltimore, Jan. 13, 1830, *P. L. B.*, Vol. III, p. 138.

[2] ". . . . that I have always been in favor of a National Bank of some description, and should not object to the rechartering this present Bank with modifications."—Lewis to J. A. Hamilton, Jan. 1, 1832, *Reminiscences of James A. Hamilton*, p. 236.

[3] Jackson says in a letter to Hamilton in relation to the bank paragraph in the first message, that he "disliked to act contrary to the opinion of so great a majority of my cabinet."—Dec. 19, 1829, *ibid.*, p. 151.

[4] The rumors that "I gave assurances to those gentlemen I saw in Baltimore that the interest of the Bank stood fair with the administration, that I had every assurance of the President and others of their friendship for the Bank and their good will that the Charter should be renewed and that I expected something handsome from the President in his speech . . . . must be some great mistake."—Biddle to John McKim, Jr., of Baltimore, Jan. 13, 1830, *P. L. B.*, Vol. III, p. 138.

[5] Jackson to J. A. Hamilton, Jan. 1, 1830, *Reminiscences*, p. 154. Hamilton had sent to Jackson a letter from Duff Green, containing reports of Biddle's supposed conversation, *ibid.*, p. 152.

[6] J. A. Hamilton to a friend, Washington, Nov. 28, 1829, *ibid.*, p. 150.

statement which leaves no doubt that he had not been entirely ingenuous in his conversation with Biddle. Of this, however, Biddle had no suspicion. When on the 27th of November Alexander Hamilton, son of Washington's great secretary, warned him that the president's message would treat the subject of renewal in an unfriendly manner,[1] he replied that he did not believe it, since in a "conversation of a very full and frank character with the President about the Bank . . . . he never intimated such a purpose. I look to the message," he concluded, "with expectations of the most satisfactory kind."[2] He knew, in fact, that it would contain words of commendation for the bank. His surprise and dismay, therefore, when he discovered what else it contained, were extreme.[3]

The message was both surprising and alarming. After pronouncing an encomium upon the bank's usefulness to the treasury, Jackson asserted that "both the constitutionality and the expediency of the law creating this bank are well questioned by a large portion of our fellow-citizens, and it must be admitted by all that it has failed in the great end of establishing a uniform and sound currency."[4] The declaration that the bank's currency was not sound and uniform was particularly offensive to the bank's supporters: "What do you think of the assertion that the Bank has not produced an uniform and solid currency?" asked John Sergeant. "Did you believe that any man who valued his character for common intelligence and veracity would have hazarded such a declaration in the face of this community

[1] Nov. 27, 1829, *B. P.* Hamilton probably received his information from his brother, who wrote the final draft of the message.

[2] Nov. 28, 1829, *P. L. B.*, Vol. III, p. 98.

[3] "The result I see with equal surprize and regret . . . . when I recollect all that I saw and heard at Washington, my surprize at the contents of the message increases every moment."—Biddle to A. Hamilton, Dec. 9, 1830, *ibid.*, p. 103.

[4] *Messages and Papers of the Presidents*, Vol. II, p. 462.

and in contradiction of the manifest fact?"[1] Bank stock immediately declined from $125\frac{3}{4}$ to 120.[2] Biddle consoled himself with the belief that it was "a measure emanating exclusively from the President in person, being the remains of old notions of constitutionality,—that it is not a cabinet measure nor a party measure,"[3] and finally that on the whole the attack would "rather benefit" the bank.[4] His opinion as to the president's sole responsibility for the act was correct; the moment at which the bank question was to be a party one was still far in the future. But he was mistaken in laying all the stress upon the president's constitutional opinions. Jackson's own words show that he considered the social reasons as at least equally important.[5]

In making public his objections to the bank Jackson is not to be censured. His act was not the result of the Portsmouth quarrel, for it had been determined upon before that episode; nor did it spring from the belief that the bank was opposed to him politically, for he had been persuaded that this was not the case. He was convinced that the bank was unconstitutional and dangerous to republican institutions,

[1] To Biddle, Dec. 11, 1829, *B. P.* What Jackson meant by a uniform currency may be inferred from a clause in his farewell address: "The corporations which create the paper money can not be relied upon to keep the circulating medium uniform in amount."—*Messages and Papers*, Vol. III, p. 301. There never was and never will be such uniformity. He may have meant, however, that the bank's notes were depreciated when distant from the place where they were made payable; or he may have meant the purchase of bills and selling drafts at any rate but par. Gallatin was inclined to the opinion that he referred to the selling of drafts for a premium. Gallatin had asked an explanation from the president, but Jackson apparently did not know what he meant.—Gallatin to Biddle, Aug. 14, 1830, ADAMS, *Gallatin's Writings*, Vol. II, p. 438.

[2] NILES, Vol. XXXVII, p. 275.

[3] To George Hoffman, of Baltimore, Dec. 15, 1829, *P. L. B.*, Vol. III, p. 106.

[4] For two reasons: (1) because the objection that the currency was not sound and uniform was known by everyone to be unfounded; and (2) because the substitute proposed would terrify everyone. On the whole, Biddle was correct in his judgment.—To John McKim, Jr., of Baltimore, Jan. 18, 1830, *ibid.*, p. 141.

[5] "I was aware the bank question would be disapproved by all the sordid and interested who prize self-interest more than the perpetuity of our liberty, and the blessings of a free republican government. . . . . I could not shrink from a duty so imperious to the safety and purity of our free institutions as I considered this to be."—Jackson to J. A. Hamilton, Dec. 19, 1829, *Reminiscences*, p. 151.

and therefore he only fulfilled his duty by speaking out. If criticism is to be offered at all, it must be directed against his presumption in daring to dictate while he was completely ignorant of banking and monetary affairs. Nevertheless, he was fair to the bank, willing to hear reason, willing to consult the opinions of Lewis, Hamilton, and Nicholas Biddle, as well as those of Hill, Taney, and Amos Kendall.[1]

It is important to remember that Jackson's hostility was not so much to a national bank as "to the bank as organized," to a bank with exclusive privileges in which the whole people could not share. He was convinced that some form of a bank was convenient, and perhaps necessary for carrying on the financial operations of the government, and in this message he argued for one with provisions which would not conflict with the constitution as he understood the constitution. It was difficult to comprehend just what he meant, and it is evident that he was not settled in his own mind as to the precise nature of the bank he wanted. Writing to Hamilton in December, 1829, he requested him to outline two plans—the first to be that of a "bank of deposit for the facility of the transfer of public moneys and the establishment of a sound and uniform currency, making, if you please, the Custom-house a branch to this National Bank, and attaching it to the Treasury Department. The other of a mixed character which may fulfil all the purposes of a bank, and be free from the infringement of State rights and our Constitution."[2] Six months later he expresses himself some-

[1] James A. Hamilton penned the phrases in the first message in opposition to the bank. He had been requested by Van Buren, Lewis, and others to come to Washington and tone down the message, especially in relation to the bank. The original paragraph on the bank, he says, was written "at great length in a loose, newspaper, slashing style," fairly good evidence that it came from the pen of Jackson himself or possibly Kendall, Blair, or Hill. Hamilton attempted to persuade the president to omit the paragraph altogether, but the president declared that it was impossible, as he was "pledged against the Bank."—Hamilton to a friend, Dec. 28, 1829, *Reminiscences*, pp. 149, 150.

[2] Dec. 19, 1829, *ibid.*, pp. 151, 152.

what more decidedly: "I have often spoken of a National Bank chartered upon the principles of the checks and balances of our Federal Government, with a branch in each State, the capital apportioned agreeably to representation, and to be attached to and made subject to the supervision of the Secretary of the Treasury, and an exposé of its condition be made annually, in his report to Congress, as part of the revenue; which might be a bank of deposit only." If, however, it should be necessary to make it a bank of discount and issue as well, "then it should belong to the nation exclusively," and he referred to the Bank of the State of South Carolina as the model for such an institution.[1] What he preferred then was a purely governmental bank, in whose profits all the people should share, which was to be a place of deposit only, under the control of the secretary of the treasury. This, he thought, would obviate all difficulties, both constitutional, state, and social. On the other hand, he was not absolutely set against a bank of deposit and issue, but in case such a one should exist, it ought to be on the model of that of the state of South Carolina. This bank was owned completely by the state; its president and directors were annually elected by the legislature in joint session; it had no monopoly; made discounts, dealt in exchange, and issued notes.[2] The feature of state ownership was that upon which Jackson's attention was fixed. He was much more inclined to the first plan, however, and adopted it finally as the only proper one, advocating it in his second message at considerable length, with the added features of allowing it to deal in exchange "based on government and individual deposits," transferring the government funds without charge, with no stockholders, no capital except the deposits, and no

[1] To Hamilton, June 3, 1830, *ibid.*, p. 167.

[2] *Statutes at Large of South Carolina*, 24 ff., No. 2021. The date of the charter is Dec. 19, 1812.

property.[1] The details were not thoroughly worked out, but it is sufficiently plain that Jackson's bank would have been something like the present sub-treasury system, with the additional features of the privileges of trading in exchange and of receiving the deposits of private individuals.[2]

After the submission of the message to Congress, the parts relating to the bank were referred in the Senate to the Committee on Finance and in the House to the Committee of Ways and Means. Biddle urged the latter to discuss the message and recommend a re-charter.[3] The committee acquiesced, both it and the Senate committee reporting at length in favor of the bank. McDuffie's report in the House was exhaustive. It controverted the president's reasoning at every point, declared that the bank was constitutional and expedient, that it had "*actually furnished a circulating medium more uniform than specie*," and contemptuously condemned Jackson's proposed bank, "founded upon the credit of the Government and its revenues," as being inefficient and monstrous, giving to the government "a patronage" "prodigious in its influence" and "dangerous in its character," and creating a centralizing agency of enormous potency.[4] To refute Jackson, however, was not to convince him, and the report only fixed him more firmly in his opinion: "I presume it to be," he wrote, "a joint effort, and the best that can be made in its support, and *it is feeble*. . . . . it will

[1] Second annual message, *Messages and Papers*, Vol. II, pp. 528, 529. See also INGERSOLL, Vol. II, pp. 283, 284, where Jackson declares this "the only safe outline for a bank or government deposite."

[2] Jackson wrote Lewis, Jan. 1, 1842, that his plan did not contemplate note issues by the government.—SUMNER'S *Jackson* (revised), pp. 286, 287, quoting Ford manuscript letters of Jan. 1 and Jan. 15, 1842. The wonder is that anyone should ever have supposed that Jackson's plan contemplated note issues. The Ford manuscripts are now in the Lenox collection of the New York Public Library.

[3] Biddle to Joseph Hemphill, Dec. 22, 1829, *P. L. B.*, Vol. III, p. 118. Biddle supplied the facts for both reports, and much of Smith's report is word for word as he wrote it for the senator.

[4] Report of April 13, 1830, *H. R.* 358, 21st Cong., 1st Sess., pp. 14, 26, 27. The italics are McDuffie's.

not go unanswered when a proper time arrives."[1] He resented the committee's interpretation of his bank plan.[2] That the report had aroused his temper, and that he had reverted to his suspicions of the bank's corrupt activity in politics, is also evident. The bank was "the present hydra of corruption, so dangerous to our liberties by its corrupting influences everywhere, and not the least in the Congress of the Union."[3] His determination that the bank should not be continued in the form in which it existed is shown in a letter of June 26 to Lewis, wherein he censures Duff Green for laxity in making attacks upon the bank, and asserts that another paper must be founded for that purpose.[4] The *Globe*, with Blair as editor, was the result.

Biddle himself was apprehensive lest Jackson should be irritated by the reports of the committees, and was convinced that conciliation was the best policy.[5] He adopted a curious method of conciliation. With remarkably bad judgment, he proceeded to scatter the reports from one end of the country to the other as a species of appeal against the president. He reprinted thousands of copies at the expense of the bank, and, as if this were not sufficient, he sent extracts to the newspapers so as to give them wider circulation. He paid for the printing of other articles as well, and he secured from Gallatin a long and exhaustive treatise which

[1] Jackson to J. A. Hamilton, May 3, 1830, *Reminiscences*, p. 164. The italics are Jackson's.

[2] "I have had no conversation with Mr. McDuffie on the subject of Banks; nor never did I contemplate such as in his imagination he has assumed, and recommended in his Report."—Jackson to Hamilton, June 31, 1830, *ibid.*, p. 167.

[3] In the letter of June 3, Jackson shows temper by mentioning the bank on three separate occasions as the "hydra of corruption."—*Ibid.*

[4] "The truth is, he [Duff Green] has professed to me to be heart & soul, against the Bank, but his idol [Calhoun] controls him as much as the shewman does his puppits, and we must get another organ to announce the policy, & defend the administration,—in his hands it is more injured than by all the opposition."—Wheeling, June 26, 1830, SUMNER'S *Jackson* (revised), p. 206, quoting Ford manuscripts.

[5] "What I am most anxious about now, is that the President himself should not feel vexed at being thus contradicted."—To Senator S. Smith, April 22, 1830, *P. L. B.*, Vol. III, p. 227.

took the president's message as a text.[1] How irritating and offensive all this was to Jackson may be inferred from what he had already said about McDuffie's report.

That Jackson would "persevere in his opinion, and refuse to sign a Bill," Biddle could not believe.[2] Lewis remained cordial, and sagaciously continued to furnish good advice and the names of Jackson partisans who should be made directors at the branches.[3] Biddle took the advice and named the directors, telling Lewis that he ought to be satisfied, "for out of the whole Board [at Nashville] a very large proportion are of gentlemen nominated by yourself."[4] He assured Lewis that the bank entertained kindly feelings toward the president, and wished to know if the rumors were credible that the president had declared that he would veto a bank bill.[5] To this Lewis replied:

> I told you in Philadelphia when you first mentioned the thing to me, that there must be some mistake because the report was at variance with what *I* had heard him say upon the subject. In conversing with him a few days ago upon the subject he still entertained the opinion that a *national* Bank might be established that would be preferable to the present U. S. Bank; but that if Congress thought differently, and it was deemed necessary to have such a Bank as the present, with certain modifications he should not object to it.[6]

This letter is a curious commentary upon Jackson's of June 3, where he repeatedly stigmatizes the bank as the "hydra of corruption," and yet it is not necessarily at

[1] Gallatin to Walsh, April 27, 1830; ADAMS, *Writings of Gallatin*, Vol. II, pp. 425-7. Biddle furnished Gallatin with the necessary documents and information (*ibid.*, p. 429), and offered to pay Gallatin $1,000 for the work.—Gallatin to Biddle, Dec. 8, 1830, *ibid.*, pp. 443, 444. Gallatin refused payment. Biddle also sent a clerk from the bank to assist in making digests, etc.; sent his own secretary to give whatever assistance needed; read the proof, and gave advice. In many particulars the article follows the statements and arguments furnished in Biddle's letters. The article appeared in the *American Quarterly Review* for Nov., 1830.

[2] Biddle to S. Smith, April 22, 1830, *P. L. B.*, Vol. III, p. 227.

[3] Biddle to Lewis, Feb. 24, 1830, *ibid.*, p. 185; Lewis to Biddle, May 3, 1830, and June 13, 1830, *B. P.*

[4] To Lewis, June 22, 1830, *P. L. B.*, Vol. III, p. 277.

[5] May 8, 1830, *ibid.*, p. 240.

[6] To Biddle, May 25, 1830, confidential, *B. P.*

variance with it. Omit the temper in Jackson's letter, and there is no difficulty in reconciling the two. Provided that Jackson was not further irritated, Biddle might still hope to receive his consent to a new, though modified, charter.

Biddle immediately wrote to Edward Livingston, asking him to have a conversation with the president on the subject,[1] and, to leave no stone unturned, he instructed President Nichol of the Nashville office to have an interview with Jackson during the president's visit to Nashville in 1830, and attempt to convince him of his mistake in the message of 1829.[2] Nichol did not neglect his instructions. He reported that Jackson appeared "to be well satisfied" with the bank's management in transferring the funds of the government and of individuals, and admitted that "a Bank such as the present" was alone capable of rendering such facilities. "The only objection he appears to have to the present Bank is that a great part of the stock is held by Foreigners—consequently the interest is taken from the country— . . . . and I am well convinced that he will not interfer with Congress on the subject of renewing the charter of the Bank altho' on this subject he keeps his opinion to himself."[3] All this was reassuring, though Jackson had

[1] May 27, 1830, *P. L. B.*, Vol. III, p. 256.

[2] To Josiah Nichol, June 22, 1830, *ibid.*, p. 275.

[3] "The President of the United States arrived in town last Tuesday I done myself the pleasure of waiting on him, as an Old friend . . . . during his stay at my house I had frequent oppertunities, and did not neglect the subject of your letter—I enforced every argument that I could make bear on the subject—or that would be of any service in removing his prejudices— . . . . he appears to be well satisfied with the facilities that the Bank has given to Government and individuals—in transferring their funds from One point to another—and acknowledges that a Bank such as the present only can do so—he appears to be generally pleased with the Management of the Bank of the United States and Branches—and particularly so with this office. I have taken considerable pains and gave him all the information I consistently could on Banking subjects—and believe have convinced him that the present Bank and Branches—could not be dispenced with without manifest injury to the Country and particularly so—to this Western country—as no other currency could be substituted." He then states Jackson's objection to foreign stockholders, and adds: "He is well satisfied that Politicks have no influence in Bank or in the Choice of Directors."—Nichol to Biddle, July 20, 1830, *B. P.*

said no more than he had in 1829. He was quite capable of keeping his own counsel, and meanwhile he had discovered a new objection in what he considered the loss of the interest on the stock held by foreigners. Biddle answered immediately, refuting at length this supposed objection, and urging Nichol to press these points upon the president.[1]

By autumn Biddle had recovered more than his former confidence. "The worthy person who first made the attack," he assured Gallatin, "looks at the matter now with different feelings." His advisers "studiously disclaim all participation" in the opinions of the first message; both houses of Congress are favorable, and on the whole it seems best "that the Bank should apply at the next session of Congress for a renewal of its charter."[2]

Despite this robust confidence, Biddle at times felt apprehensive that something was amiss. The newspapers supposed to voice the sentiments of the administration showed ceaseless hostility; in May resolutions were brought into the House declaring the bank unconstitutional, asking for a full report on its affairs, and asserting that the House would not consent to a re-charter; and, though these were voted down by large majorities,[3] they were ominous; at Boston, in June, the collector of the port attempted to remove the deposits from the branch to a state bank,[4] and obscure hints con-

[1] To J. Nichol, Aug. 3, 1830, *P. L. B.*, Vol. III, p. 314.

[2] "The worthy person who first made the attack, looks at the matter now with different feelings. Those about him studiously disclaim all participation in the opinions announced by him, and from a great mass of observations from various quarters, I have very little doubt that there is a decided majority of both houses of Congress favorable to the renewal of the charter. My present impression is therefore . . . . that the Bank should apply at the next session of Congress for a renewal of its charter. This it can well do after the invitation given by the President and it is I think of great importance to approach the question before it becomes involved in the controversy for the Presidency."—To Gallatin, Sept. 9, 1830, *ibid.*, pp. 345, 346.

[3] Vote, 89 to 66, May 10, 1830.—*C. D.*, Vol. VI, Part II, pp. 921, 922.

[4] "The Collector at Boston has transferred, or means to transfer, the collection of his Bonds from the Branch to a State Bank."—Biddle to Dickins, June 24, 1830, *P. L. B.*, Vol. III, p. 281. The bonds have been "restored by order of the Secretary." —Biddle to S. Frothingham, of Boston, Aug. 20, 1830, *ibid.*, p. 334.

tinually reached Biddle of Jackson's implacable hostility, and of a coalition against the bank between Van Buren and certain Richmond politicians.[1]

Jackson's second message disappointed Biddle's prevailing hopes and justified his occasional fears. It declared that nothing had "occurred to lessen in any degree the dangers which many of our citizens apprehend from that institution as at present organized," again recommended the creation of a bank "as a branch of the Treasury Department," which should obviate constitutional and other objections, outlined his plan at length, and concluded by saying that it was the president's object to call "the attention of Congress to the possible modifications of a system which cannot continue to exist in its present form without occasional collisions with the local authorities and perpetual apprehensions and discontent on the part of the States and the people."[2] Jackson's attitude had clearly not changed in the slightest degree. He was unalterably opposed to the bank as organized, and wanted a national bank of another model. Representative men of his own party were, however, convinced that, if he was once persuaded that his project was impossible, he would be willing to sign a bill re-chartering the old bank.[3] His message allows as much to be inferred, since it is against the bank "in its present form" that his opposition is directed. Immediately after the message Lewis repeated the opinion he had more than once expressed, that a bill to re-charter "with certain modifications" would receive the president's assent. What these modifications were does not appear, but it is certain that somewhere between the president's scheme and that of the existing bank a com-

1 Biddle to James Robertson, of Richmond, Nov. 29, 1830, *ibid.*, p. 398.

2 *Messages and Papers*, Vol. II, pp. 528, 529, Dec. 6, 1830.

3 "If the President finds that his scheme is not likely to take, I do not believe he will be opposed, altogether, to the present Bank."— Lewis to Biddle, May 25, 1830, confidential, *B. P.* Senator S. Smith wrote to the same effect on Dec. 12, *ibid.*

promise could be found.[1] Nor could it be long before the president would surrender his plan, for it met with no encouragement whatever from the majority of his own party.

Biddle, however, was keenly disappointed. "Well what does all this mean?" he queried; "whose attack is this?"[2] Meanwhile the presses supporting the bank treated the president's message with insolence and his bank plan with contempt. The attacks apparently exhausted the patience of both Jackson and Van Buren. The latter declared that "such severity of animadversion on the part of the Bank was felt and would do the institution much injury," it being taken for granted that the attacks emanated from the bank.[3] "If that ground be taken, the Bank *must* fail," warned Senator Smith six months later.[4] But Biddle would not interfere with "the freedom of the press." He was irritated, and affected to have "not the slightest fear" of either General Jackson or Martin Van Buren. "Our countrymen are not naturally disposed to cut their own throats to please any body, and I have so perfect a reliance on the spirit and sense of the nation, that I think we can defend the institution from much stronger enemies than they are."[5] Perhaps Nicholas Biddle had never read Hamilton's sagacious saw that "men are reasoning rather than reasonable animals,"

[1] "I gathered from a conversation with Major Lewis, ... that altho' the President is decidedly in favor of a Bank such as he recommends to Congress, yet if a bill were to pass both houses, renewing the charter of the Bank United States with certain modifications, the President would not withhold his approval — What the modifications were I could not distinctly understand; but I believe that the principal one was to take from the Bank the right of establishing branches in the states, unless with the consent of the states."— Cashier R. Smith to Biddle, Washington, Dec. 13, 1830 confidential, *B. P.*

[2] To S. Smith, Dec. 10, 1830, *P. L. B.*, Vol. III, p. 411.

[3] "I called yesterday on the Secretary of State, and found him very sensitive on the last publication in Webb's paper on that part of the message, which related to the Bank, he said that such severity of animadversion on the part of the Bank was felt and would do the institution much injury." The same opinion was expressed by the Speaker, and the general impression seemed to be that Biddle was responsible for the publications.— Senator S. Smith to Biddle, Dec. 19, 1830, confidential, *B. P.*

[4] Smith to Biddle, June 3, 1831, *ibid.*

[5] To Cashier M. Robinson, of New York, Dec. 20, 1830, *P. L. B.*, Vol. III, pp. 423, 424,

or, if he had, he had not bestowed upon it the reflection it deserves. Instead of moderating the ardor and the wrath of the journalists, Biddle redoubled his exertions to influence public opinion. He secured letters from ex-Presidents Madison and Monroe, expressing opinions favorable to the bank's constitutionality and expediency;[1] he published floods of articles at the bank's expense: reports of Smith and McDuffie, answers to Benton, Gallatin's treatise, speeches of congressmen, and the opinions of less distinguished writers on finance poured forth in ever-increasing torrents.

Meanwhile Jackson's partisans were not idle. The *Globe* and its following fulminated against the bank in the most violent fashion. The charges of political activity at the Kentucky branches were renewed. Wayne, of Georgia, in the House, moved to refer that part of the message dealing with the bank to a select committee, instead of to the friendly Committee of Ways and Means. The motion was lost by a vote of 108 to 67.[2] In the Senate the indefatigable Benton presented a resolution against the renewal of the charter,[3] for the purpose of creating an opportunity to deliver a speech which should arouse "the masses" against the bank.[4] It was a long, involved performance, revealing abysmal ignorance of banking affairs, but not the less effective on that account, since "the masses" were even more ignorant than the orator. Moreover, it was particularly strong in its appeal to their prejudices against exclusive privileges which made "the rich richer and the poor poorer."

[1] Biddle to C. J. Ingersoll, Jan. 15, 1831, *ibid.*, p. 442; Biddle to Silas E. Burrows, March 3, 1831, *ibid.*, p. 484. Crawford also wrote a letter in support of the bank.—To Ingersoll, Dec. 5, 1831; MILLER, *Bench and Bar of Georgia*, Vol. I, pp. 242, 243, and NILES, Vol. XLI, p. 301. For letters of Madison, of Feb. 2 and June 25, 1831, see NILES, Vol. XL, pp. 56, 357; for that of Monroe, Jan. 20, 1831, *ibid.*, Vol. XLI, pp. 82 ff.

[2] *C. D.*, Vol. VII, pp. 350, 354.

[3] *Thirty Years*, Vol. I, pp. 187 ff.

[4] "It was a speech to be read by the people — the masses — the millions; and was conceived and delivered for that purpose."—*Ibid.*, p. 204.

The motion to grant leave to introduce the resolution was lost by a vote of 23 to 20.[1]

The state legislatures were also called upon to act. In February the New York legislature took up a resolution against re-charter. Biddle was active in trying to thwart its passage, and for a time succeeded, but other influences finally preponderated and the resolution was passed.[2] Simultaneously a resolution requesting re-charter was brought into the legislature of Pennsylvania. Biddle urged its adoption and, under the assiduous lead of C. J. Ingersoll, it was carried almost unanimously. It declared "that the constitution of the United States authorizes, and near half a century's experience sanctions, a Bank of the United States as necessary and proper to regulate the value of money and prevent paper currency of unequal and depreciated value."[3] The two great states were thus arrayed in hostile columns, and Jackson was warned that he must tread carefully if he would secure the support of both. In July the Republican members of the New Hampshire legislature passed a resolution "in decided opposition to re-chartering the United States Bank."[4] The same month the secretary of war again attempted to remove a part of the pension fund, this time to a bank in Albany, N. Y., which was the center of opposition to the bank in that state.[5]

Biddle, however, now understood the president's position exactly, and had determined to take no chances. The bill for re-charter, he wrote, must not be brought forward at the short session of 1831, for, if it were, it would probably be postponed.

1 *Thirty Years*, Vol. I, p. 204.

2 For resolution see NILES, Vol. XL, p. 114. Biddle believed that Van Buren was responsible, and it can hardly be doubted that he was right.—Biddle to Nicholas Devereux, Feb. 17, 1831. *P. L. B.*, Vol. III, p. 470.

3 INGERSOLL, Vol. II, p. 268. For Ingersoll's part in the matter the *Biddle Papers* are authority. For the resolutions see NILES, Vol. XL, pp. 69, 73. The resolutions passed unanimously in the senate; in the house by 75 votes to 11.

4 PARTON, Vol. III, p. 384.

5 *H. R.* 460, 22d Cong., 1st Sess., pp. 481–9.

Once brought forward and postponed, it would of course be blended up with the election, and become one of those political matters judged exclusively by party considerations. On the other hand if it passed through both Houses, and was negatived by the Pres't, from that time forward it would become a question between the Bank and him, and if he were re-elected, he would construe it as a decision by the nation against the Bank, and act accordingly.[1]

Shrewd calculation could not possibly analyze a political situation more accurately, and it would have been well if Biddle had never forgotten his own wisdom. To avoid blending the question with the election, to hinder its becoming "one of those political matters judged exclusively by party considerations" — these were the guide-posts to success. Nor could inspiration itself foretell more precisely the result of a failure to remain true to these precepts; the question would become one between Jackson and the bank, and if re-elected "he would construe it as a decision by the nation against the Bank, and act accordingly."

In January Biddle was certain "that the President aims at the destruction of the Bank;"[2] in February he was almost convinced that they must fight;[3] in March he was utterly at sea as to the president's position;[4] in April and May all his hopes flashed up once more, for the cabinet had gone to pieces and the change substituted "an avowed friend Mr. Livingston, for a decided enemy in Mr. Van Buren. The new Secretary of the Treasury is also a known friend."[5] The

1 Biddle to Joseph Hemphill, Dec. 14, 1830, *P. L. B.*, Vol. III, p. 414.

2 To Jonathan Roberts, Jan. 15, 1831, *ibid.*, p. 444.

3 "The President has assailed it, his partizans, those who claim to be his special friends, unite in this denunciation — they wish to force it into a question between the ascendancy of General Jackson and the destruction of the Bank — and it is to be feared that they may succeed."—To Nicholas Devereux, Feb. 17, 1831, *ibid.*, p. 470.

4 "On the subject of the determination of the President towards the Bank, I have heard so much & such various opinions that I have ended by knowing nothing."—To Leslie Coombs, of Lexington, Ky., March 23, 1831, *ibid.*, p. 496.

5 To J. Hunter, of Savannah, May 4, 1831, *ibid.*, p. 514. It was even believed that the change in the cabinet resulted in part from a change in the president's opinions about the bank. Justice Johnson of the Supreme Court assured Biddle "that the

hopes were justified. The head of the bank immediately put himself in touch with the two secretaries, and was soon assured of their assistance. He was now sanguine of success, and on September 2 the stockholders in their triennial meeting authorized the president and directors "to apply to congress for a renewal of the charter of the bank" at any time within the three years next succeeding.[1] Congressmen who were directors at the bank or its offices were left off the boards.[2]

The two secretaries, acting in conjunction with Biddle, exerted their powers to produce a change of sentiment in their stubborn chief, and with excellent success. Convinced that his own plan could not succeed, Jackson prepared to accept the alternative of the old bank with a modified charter. Livingston and McLane then argued that he ought not to mention the subject in his next message. Jackson agreed even to this, "tho' reluctantly." Biddle, however, on learning of this decision, declared that he considered it better for the bank that the president should speak, "that his silence would not be so useful as his mentioning the subject," and suggested that he should say that he now left the matter entirely "with the representatives of the people." Biddle also urged McLane to recommend a re-charter in his report of 1831. At first McLane thought he could not go so far, but finally acquiesced, and in the presence of Livingston informed the president that in his report as secretary of the treasury he would advocate a re-charter "in the strongest manner he could." Jackson "made no objection whatever," and also consented to mention the bank in the message in the manner which had been suggested by Biddle. The secretary

Bank have nothing to apprehend from the present Cabinet, nay there is much reason to think that a leading object of the change, was a change of Policy on several Points on which more correct Information has been elicited."—W. Johnson to R. Smith for Nicholas Biddle; R. Smith to Biddle, Washington, Aug. 9, 1831, *B. P.*

[1] NILES, Vol. XLI, p. 119.

[2] Biddle to N. Silsbee, Nov. 21, 1831, *P. L. B.*, Vol. IV, p. 41.

then, "with a view to show the Pres't the full extent to which his report might lead," pointed out the possibility that the Committee of Ways and Means might choose to act upon the report, and immediately bring in a bill to re-charter, which he, McLane, could not oppose. The president answered only that "he would be sorry if the question were forced upon him in that way." After this interview with Jackson, McLane went to Philadelphia to talk over the prospects of the bank with its president. Biddle showed anxiety about the forthcoming message, and insisted that the president must not express "a shade of opinion" against the bank, "or any declaration that having once expressed his views and having no reason to change them, he would now leave it to Congress." McLane assured Biddle that "no such expression could or should be introduced." Jackson's position was discussed, and the secretary said that the bank should wait until after the election before petitioning for re-charter, for if the measure were brought forward earlier, the president would consider it a defiance and act accordingly. "On the other hand, if given time the President would probably acquiesce in a re-charter." That this was Livingston's opinion is also well known.[1] Some conversation respecting the details of the bill then followed, and the two men parted with mutual satisfaction.[2]

[1] Livingston said "that, at this stage of the conflict, the President was really disposed to cease the war upon the bank."—PARTON, Vol. III, p. 395.

[2] "About ten o'clock to-day Mr. McLane Secretary of the Treasury called to see me at the Bank. He had come to Philadelphia principally for the purpose of conversing with me after he had seen the President.

"He now stated that he had seen the President, and explained to him the course which he proposed to pursue in regard to the Bank. He had done this in order that there might be no misapprehension on the part of the President of his views and the consequences which might result from what he proposed to say in his report.

"He said to the President that he thought the act of Congress which directed the Secretary of the Treasury to report annually to Congress made it the duty of that officer to present his own views and on his own responsibility and that the Executive stood rather in the light of a moderator between him (the Secretary) and the Legislature. That such had always been the construction of the powers of the Secretaries. (This was obviously an infusion by Mr. Dickins to whom I left a volume with all the passages marked which I thought might encourage this opinion.)

At last the bank seemed to be nearing the goal it had long striven to reach — a re-charter with the assent of the president. Biddle, Livingston, McLane and Jackson now acted under a sort of informal compact: the secretaries to work for re-charter, Jackson to remain quiescent for the present, but to sign a bill in the long run if his wishes were met, and the bank on its part to wait until after the election before presenting its petition for a charter, and to accept the modifications desired by the president.

He proceeded to explain to the President what his intentions were. He means to speak of the power of the Government to pay off the whole of the debt on the 3d of March 1833 with the aid of the Bank stock — that this stock if sold out would occasion alarm in the country and the panic would sink its value — whereas he was satisfied that the Bank would take it at a reasonable price, not less certainly than eight millions. This would give him an opportunity of speaking of the Bank in the most favorable manner, recommending the continuance of the charter of the present Bank in preference to a new one, with such modifications as without injuring the institution might be useful to the country and acceptable to the Executive. This he meant to present in the strongest manner he could to Congress. All this he explained particularly to the President who made no objection whatever. For greater precision he had put down the heads of what he meant to say in his report and showed them to the President. Mr. Livingston by request of Mr. McLane was present at this meeting.

"It had been previously understood between Mr. Livingston and Mr. McLane that the President should say nothing in the message about the Bank. The President had acquiesced tho' reluctantly in this, because he thought he could not well be silent with consistency. But in my conversations with him Mr. McLane I had expressed the opinion that his silence would not so be useful as his mentioning the subject. The matter was therefore renewed with Messrs. Livingston and McLane and the Pres't and it was resolved that he should introduce the snbject in this way — that having on former occasions brought the question before Congress it was now left with the representatives of the people.

"Mr. McLane with a view to show the Pres't the full extent to which his report might lead, said that perhaps when his report was presented and referred to the Committee of Ways and Means Mr. McDuffie in his present mode of thinking in regard to the Bank might choose to introduce a bill into Congress for continuing the charter and if so he (Mr. McLane) could not with the views which he entertained of the Bank make any opposition to it. The President said he would be sorry if the question were forced upon him in that way.

"I said it would be necessary to scan very accurately the Pres's speech so that there might not be a shade of opinion expressed against it, or any declaration that having once expressed his views and having no reason to change them, he would now leave it to Congress &c. Mr. McLane said certainly no snch expression could or should be introduced, as it would not be in harmony or consistency with his own report.

"Mr. McLane said that he would be willing to charter the Bank withont any bonus — but intimated that he thought a large bonus would be required, and said that this should be considered in our proposed purchase of Bank stock.

"He said that he thought the greatest danger of the Bank was from those who wished to pull down this Bank in order to build up another. That a Mr. West of

These modifications are not known certainly, but may be inferred from what Jackson afterward wished. The government was to cease holding stock in the bank, as may be seen from Biddle's memorandum and from his correspondence with the secretary. The bank would take the stock and thus assist the government in paying off the national debt, as suggested by Biddle to Jackson in 1829.[1] The bank's

Salem had been very pressing on that point. I said there were I believed some capitalists in Boston and New York who were anxious about it—but I thought they had little political weight. He said that the argument was that to continue it would be a monopoly.

"In regard to the period of applying for the renewal, he does not wish to be considered as the adviser of the Bank because it might be imputed to him that he was acting in concert with the institution—but he renewed the opinion which he expressed at Washington that it was doubtful (indeed he seemed to be more inclined now to think it inexpedient) whether it would be expedient to apply this year. His idea was that if it were put to the President as a test, he would be more disposed to reject it on that very account. The President is now perfectly confident of his election—the only question is the greater or less majority—but he is sure of success and wishes to succeed by a greater vote than at the first election. If therefore while he is so confident of reelection this question is put to him as one affecting his reelection he might on that account be disposed to put his veto on it, if he be as it were dared to do it. For what I see says Mr. McLane of the character of General Jackson I think he would be more disposed to yield when he is strong than when he is in danger.

"The footing then on which the matter now stands is this:

"The President is to say that having previously brought the subject to Congress he now leaves it with them.

"The Secretary is to recommend the renewal.

"This latter point pleases me much. When I saw him at Washington he did not think he could go so far as to originate a recommendation of the Bank and I therefore examined all the reports of all the Secretaries to show that the proposals for the Banks all originated with them—and I left the volumes of these reports in Mr. Dickins's hands marked, so that he might urge them on the Secretary's attention.

"He thinks he can present the tariff question strongly—he will then press with equal strength the Bank question and if he can arrange the question of the public lands (the surrender to them of the lands within their limits at a certain price so as to make the landholding states pay in stock to the old States the proportion which the latter have a right to—the Bank would be put in such good company and on such a footing that even Mr. Benton could not attack it.

"On his way to Mr. Carroll's with the President the latter adverted to the inconsistency of those who pulled down the old Bank to build up the new, and particularly of the objection then made that foreigners were stockholders. This he considered an unfounded objection. (He mentioned this to me at Washington.)"—Memorandum by Biddle, written Oct. 19, 1831.

This interview with McLane is undoubtedly that referred to by Weed in his *Autobiography*, pp. 373-5. The account in Weed is evidently inaccurate, but, excepting what he says about Webster and Clay, may be reconciled with Biddle's memorandum.

[1] See memorandum. Also Biddle to McLane, Oct. 21, 1831, offering on the part of the bank to pay at least $8,000,000 for the government stock in the bank.

capacity to hold real estate was to be limited and the number of offices in any state fixed at not more than two; the permission of states was to be secured before establishing offices; all the bank's notes were to be issued from the parent office, which was to be permitted to have two officers whose sole business should be the signing of the notes, and the states were to be allowed to tax the branches.[1] There was nothing in all this to which the bank might not well agree.[2]

The president's message in 1831 spoke of the bank in terms which its dismayed enemies considered indicative of a change on the part of the president, or at least a desire to avoid the issue, while the secretary's favorable report created a sensation.[3] But to Biddle's distress McLane had been unable to fulfil his promise that the president should not

[1] See the agreement with Livingston in chap. x, "The Struggle for the Charter." Shippen, of Louisville, wrote Biddle that he had seen a letter from the president's private secretary: "The substance of the letter is, that the Pres'dt does not consider himself pledged against a renewal, and that if Congress passes a Bill with *proper modifications* of the charter his approval will not be withheld."

Modifications: (*a*) no more than two branches in each state; (*b*) bank stock now owned by government to be sold to individuals; (c) limitation of capacity of the institution to hold real estate; (*d*) take away power to loan money on a pledge of merchandise; (e) give bank power to appoint two officers to sign notes, and all notes to issue from the mother bank; (*f*) existing provisions in regard to government directors and deposits to remain; (*g*) the corporation to be rendered suable in a state.—Cashier Shippen to Biddle, Dec. 6, 1831, *B. P.*

[2] It was, of course, impossible to keep the agreement with the administration entirely secret, and rumors respecting it were soon in circulation. "The Telegraph," says Niles (Vol. XLI, p. 325, Dec. 31, 1831), "with reference to the report of the secretary, asked—'But what will Mr. Ritchie do with the bank? What will he think of this "admirable state paper," when he learns that a bill to re-charter the bank, the joint production of the treasury and of the bank, had already received the sanction of the president, before the message was transmitted to congress?'" The *Globe* hereupon denied the report, saying that it was authorized to do so. The *National Gazette* did the same for the bank. The *Telegraph* thereupon explained that there had been a misapprehension.—NILES, *ibid.*, and footnote. The New York *Enquirer* declared "from the most unquestionable authority" that Blair, in the *Globe*, did not speak with the authority of the president.—*Ibid.*, p. 338, Jan. 7, 1832.

[3] "The annual treasury report has caused much speculation and remark. . . . . The 'Globe' . . . . dissents from the opinions of the secretary as to the bank of the United States, and they seem to have given the venerable editor of the 'Richmond Enquirer' the horrors—but the strangely moderated tone of the president's message in respect to that institution, ought to have prepared him for *something*."

"For ourselves, we have not been able to draw a long breath since we read it; and cannot pretend to say what we think of it until we have recovered a little from the shock of surprise which it gave us."—*Ibid.*, p. 281.

declare his opinions unchanged. On the contrary, Jackson asserted that he still entertained "the opinions heretofore expressed in relation to the Bank as at present organized," but deemed it his duty "to leave it for the present to the investigation of an enlightened people and their representatives."[1] This to Biddle seemed ominous, but he expected too much. The president's remarks should not have disheartened him, especially as Jackson repeated his trite "as at present organized." The arrangement with McLane was that there should be modifications, and therefore a bank organized in a different manner from the existing one. Moreover, it appears certain that Jackson was willing to make the concessions expected. Writing to Hamilton at this time, he said that his opinions had not changed; that he and McLane did not differ, as some supposed, and then added: "Mr. McLane and myself understand each other, and have not the slightest disagreement about the principles, which will be a *sine qua non* in my assent to a bill rechartering the Bank."[2] This sentence can only mean that Jackson had agreed that upon certain points being conceded he would assent to a re-charter. The bank might with safety have continued under the agreement made with McLane.

But Biddle was suspicious and distrustful. Moreover, the comments of the administration papers dismayed and disheartened him.[3] There was also a powerful attempt making to establish a new bank, which he feared would receive Jackson's support. Finally his friends among the National Republicans were assuring him that it was only in conjunc-

[1] *Messages and Papers*, Vol. II, p. 558, Dec. 6, 1831.

[2] Dec. 12, 1831, *Reminiscences*, p. 234.

[3] "The style of the paragraph in that passage about the Bank, with the commentary of the Globe, the Richmond Enquirer and the Standard, I confess shake my confidence much. It is not in such an ambiguous tone that a President should speak, or suffer his dependants to speak."—Biddle to Dickins, Dec. 20, 1831, *P. L. B.*, Vol. IV, p. 60.

tion with them that he could secure a re-charter, and urging that now was the only time. The pressure was intense from both sides, to act and not to act, and his hopes and fears haled him either way. Decision was necessary, and at last he made it, and made it wrong. He chose to enter into open conflict with the president, and the bank was overthrown as a consequence.

CHAPTER X

THE STRUGGLE FOR THE CHARTER

HENRY CLAY is universally regarded as responsible for the entrance of the bank into the political arena in 1832. This opinion is mistaken and unjust. Clay's influence was, of course, directed to this end, but it was only a minor element in the ultimate decision. Nicholas Biddle was the responsible actor, and he was not the man to be forced into any course of action which he did not approve.

Clay's position is easily determinable. He had early considered the advisability of bringing the bank issue forward. In May, 1830, he expressed the opinion that it was too soon to decide "on the question of the renewal of the charter"[1] In August he had "great doubts of the expediency of making the application until the next Presidential Contest" was decided, and thought that the bank ought to avoid mixing "the two questions."[2] In September he consulted Biddle on the subject, and the latter answered that he was "satisfied that it would be inexpedient," and "that nothing but a certainty of success should induce an application now."[3] It was not until November, 1831, that Clay advised "an immediate application to be made," having changed his mind about the necessity of waiting until after the election.[4] The following month the National Repub-

[1] Clay to Francis Brook, May 23, 1830, COLTON, *The Private Correspondence of Henry Clay*, p. 271.

[2] "He has great doubts of the expediency of making the application until the next Presidential Contest is over, and thinks that the Bank ought as far as possible to avoid any measures which would have a tendency to mix or connect the two questions." At this time he suspected that Jackson wished to make it a campaign issue.—J. Harper to Biddle, Lexington, Aug. 20, 1830, *B. P.*

[3] Biddle to Clay, Nov. 3, 1830, *Clay's Correspondence*, p. 287.

[4] In a conversation with John Tilford, of Lexington, Clay said that about a year before he thought that the bank should wait two or three years before asking

licans at the Baltimore convention placed the bank in their platform, lauding it as a "great and beneficial institution," which Jackson had "gone out of his way . . . . to denounce . . . . as a sort of nuisance," upon whose "immediate destruction" he was intent. He was "three times over pledged . . . . to negative any bill that may be passed for re-chartering the bank," and would in all probability attempt to replace it by "the extraordinary substitute which he has repeatedly proposed," and which would bestow upon the executive almost despotic power, placing in his hands "the means of corruption without checks or bounds."[1] The National Republicans were evidently persuaded that Jackson's position could be seriously shaken by injecting the issue into the campaign; and Clay, as the leader of the party, became warmer in his advocacy of this maneuver. He declared that Jackson was "playing a deep game to avoid, at this session, the responsibility of any decision on the Bank question,"[2] "that now or never, was the time to act with any chance of success," and that "the declining to memorialize" might be considered "as an electioneering step against" the Clay party.[3] This was a plain hint that the bank must expect no aid from the National Republicans

for a re-charter, "but that he now thought differently and would advise an immediate, application to be made by them."—Tilford to Biddle, Lexington, Nov. 11, 1831, *B. P.*

[1] NILES, Vol. XLI, p. 310.

[2] To Francis Brook, Dec. 25, 1831, *Clay's Correspondence*, p. 322.

[3] Clay told President Smith of the Washington branch that "he had heard on good authority" that Jackson had said "that either the Bank or Andrew Jackson must go down," but Clay thought it was probable that he would sign a bill passed before the election; but after that Clay "did not doubt his rejecting it—That now or never, was the time to act with any chance of success." Smith said that Jackson's friends would consider this as an electioneering step on the part of the bank against him. To this Clay replied that "there was another aspect of the subject under which those opposed to the President, and in general friends of the Bank, might consider the delay to memorialize, especially after the action of the stockholders on the subject, as an electioneering step against them; that already rumors of a coalition to this effect were circulated."—President S. H. Smith to Biddle, Washington, Dec. 17, 1831, *B. P.*

unless it was willing to lend mutual assistance.[1] Biddle and Clay do not seem to have had any interview, however ; and, in response to a letter from Clay, Biddle replied: "Nothing is yet decided, altho' the subject is under serious and anxious consideration."[2] Clay was not in Biddle's secrets, for he knew nothing of the dealings with the cabinet,[3] and on the very day that Biddle wrote the foregoing non-committal letter to him he declared to another correspondent: "My own individual impression is that such an application would be advisable, and it is at this moment under serious consideration."[4]

The month succeeding President Jackson's third annual message was the most critical in the bank's existence. All through that month Biddle was weighing the chances for and against, expending all his energy and intellect in sifting out the various assurances given him, interviewing those best informed, taking the opinion once more of the leaders in the cabinet, and finally sending to Washington his confidential coadjutor, General Thomas Cadwalader, to look over the ground carefully before any decision was made. During all this time he never exhibited the faintest trace of wavering on account of the opinion of either Clay or Jackson partisans, unless that opinion appealed to his intellect as sound and valid.

The man among the National Republicans who apparently had most influence in determining Biddle's decision was John Sergeant, the party's candidate for vice-president, a Philadelphian, an intimate friend, and one of the standing counsel of the bank, whose opinion was asked in every

[1] "It is said that Messrs Clay and Webster declared, that if the application for the Charter was not made at the present session, that no reliance should be placed on their support at a future time."—Henry Toland to Biddle, March 13, 1832, *ibid.*

[2] Dec. 22, 1831, *P. L. B.*, Vol. IV, p. 63.

[3] He says "already rumors of a coalition to this effect were circulated" (see note 3, p. 216; a remark which shows that he knew nothing on the subject.

[4] To Nicholas Devereux, of Utica, Dec. 22, 1831, *ibid.*, p. 61.

conjuncture and frequently adopted. Next in influence stood Webster, whose relations to the bank were precisely similar. On his way to Washington, in the autumn of 1831, Webster had stopped in Philadelphia, and in an interview with Biddle had pressed upon him the expediency of applying immediately for a re-charter, in opposition to the wishes of Jackson; and when he reached the capital he wrote saying that he had conversed with many of the politicians there, and that the result was "a strong confirmation of the opinion which I expressed at Philadelphia that *it is* expedient for the Bank to apply for the renewal of its Charter without delay."[1] He was very much set in this opinion. Cadwalader assured Biddle that some of the members of the Clay party "would be lukewarm or perhaps hostile, if we bend to the Government influence," and significantly added in a footnote, "Webster would be cold."[2] Nevertheless, if Biddle chose to disregard the displeasure of his friends, one may aver confidently that the party could not oppose the bank on principle and would in the end vote for it, however reluctantly.

But the question which tortured him incessantly was: What would Jackson do? If Biddle could have received assurance from the president that he would approve a bill for a modified charter, there can be no doubt that Biddle would have acted in union with him. But it was precisely this assurance which he could not procure, although Jackson's friends were confident that the president would yield in the end, and absolutely sure that he would not sign a bill now. Senator Samuel Smith warmly counseled delay, and said that he was "authorized" by McLane to say that it was "his deliberate opinion and *advice* that a renewal of the Charter ought not to be pressed during the present session. . . . The message is as much as you could expect," he continued.

[1] To Biddle, Dec. 18, 1831, *B. P.*

[2] Dec. 25, 1831, *ibid.*

"It shows that the Chief is wavering." Time would set him right, and all of the cabinet excepting Taney were favorably disposed.[1] Lewis's advice was to the same effect;[2] and this was, indeed, the universal opinion of the Democratic friends of the bank.[3]

When, therefore, Cadwalader went to Washington as the bank's agent, his principal object was to discover the president's attitude. He had first of all "a long and frank conversation with Mr. McLane," who assured him "*positively* that the President" would "reject the Bill *if the matter is agitated this session.*" The bank must wait.[4] No one, however, could speak authoritatively for the president, and unless assurance could be given Biddle was disposed to act. To Cadwalader he wrote:

I of course abstain from forming any definite opinion, but I will mention to you exactly my present state of mind. If Mr.

[1] "I had last night a long conversation with McLane, and I am authorized by him to say, that it is his deliberate opinion and *advice* that a renewal of the Charter ought not to be pressed during the present session, in which I concur *most sincerely*—The message is as much as you could expect. It shows that the Chief is wavering. If pressed into a *Corner* immediately, neither McLane or myself will answer for the consequences. But we both feel confident of ultimate success, if time be given for the P——t to convince himself of the Error into which Opinion long formed, (prejudice if you please) had committed him. Every day new converts are making. . . . . Every one of the Cabinet except Taney is favorable."—Senator Smith to Biddle, Dec. 7, 1831, *ibid.*

[2] "I told General W. that Major Lewis had spoken very freely on the subject of pressing the renewal this winter—that if the friends of the Bank pressed it now, it would be construed as an act of coercion on him—that the President was not a man to be forced into any measure, and would be more likely to veto the bill before the election than afterwards, as in the one case his signing it would appear to be the result of fear, and in the other, of choice—and that General Jackson was not a man to be forced in any thing."—R. Smith to Biddle, Washington, Dec. 14, 1831, private and confidential, *ibid.*

[3] BENTON, *Thirty Years*, Vol. I, p. 227.

[4] "I have had this morning a long and frank conversation with Mr. McLane. He says *positively* that the President will reject the Bill *if the matter is agitated this session.* He (the Pres't) and those about him would regard the movement, before the election, as an act of hostility—or as founded on the idea that his opinions would bend to present views—and that his fears would induce him to truckle—Mr. McL. is *sure* that under such circumstances he would apply his veto,—even if certain that he would thereby lose his election. The question he says cannot now be started without being regarded as a party one."—Cadwalader to Biddle, Washington, Dec. 21, 1831, *B. P.*

McDuffie could insure a reference to the Committee of Ways and Means, and a favorable report of that Committee I would not hesitate to try it, if I could rely on a majority of *one* only in each house.[1]

Cadwalader agreed, and said that "McDuffie leans in favor of *going it* now," but both McDuffie and he thought "it best not to decide until after a conference with McLane and Smith."[2] The question then was to be decided after taking the opinions of three Democrats—McDuffie, Smith, and McLane—one for and two against immediate application.

The introduction of McDuffie's name into the correspondence between Biddle and Cadwalader is significant. It was he, and not Clay, who took the principal part in bringing the bank into the field. It was his advice that was asked and followed. As chairman of the Committee of Ways and Means, as a Calhoun man, and as the leader of the very few representatives from South Carolina in favor of the bank, his support was not less important than that of Webster or that of Clay, and had he at any moment advised delay, delay would have followed. He was positive, however, that now was the time. On the 29th Cadwalader wrote that McDuffie and he were convinced that the bank must act. He was sure that the president would "*never* sign" and that it was advisable to put the question before the people in order that the country might get to the point where a two-thirds majority of Congress might be had. McDuffie and he had listened to McLane's arguments and thought nothing of them.[3] The conference between the four men changed in no respect the opinion of the two in whose hands was the ultimate decision. Biddle was equally certain that the time had

[1] To Cadwalader, Dec. 24, 1831, *B. P.* [2] To Biddle, Dec. 25, 1831, *ibid.*

[3] "The President would be *at least* as likely to sign now, as at any future time, though all the information I have got leads me to the belief that he will *never* sign."

"McDuffie insists that now is the time. If you delay a session you might as well lie down. McDuffie and I have heard McLane's talk and think nothing of it." He thinks if a veto is certain, that it is desirable now in order that the people may elect a congressional majority of two-thirds for the bank bill.—To Biddle, Dec. 29, 1831, *ibid*

arrived, and was ready at any moment to forward the bank's memorial to Congress. He waited, however, until Cadwalader's return to Philadelphia, that they might talk the matter over together.[1]

Conversation with Cadwalader only fixed him more firmly in his resolution, but action was still postponed until McLane could send in a communication.[2] This was delayed, and on the 6th of January, 1832, Biddle notified McDuffie and Senator Smith that the application would be made,[3] and forwarded the memorial to Senator Dallas.[4] He wrote Webster also,[5] but sent no word to Clay. There was no hesitation, no sign of being forced into the step. "I have scarcely given to any question a more deliberate attention than I have bestowed on this, and after procuring all the information within our power, and deliberating upon it long and anxiously, I have made up my mind on the clearest convictions." His reasons were: that the stockholders were unanimously for it now; that delay would put the question off until 1834, a date too near the expiration of the charter; that the question was a business, not a political one; that postponing on account of the election would in effect be a discrimination against the National Republicans; that the president had three times brought forward the question and therefore distinctly intimated that it ought to be settled.[6] He laid particular stress upon the argument that to postpone would be to discriminate in favor of Jackson and so make the bank a political issue[7]—

[1] "I am waiting anxiously for some signal to move—and the moment you hoist it, we will send you a memorial. All our information and all my reflections go that way. The question was almost settled in my mind when I found that Mr. M. though opposed would not be vexed. In truth I hope he will be friendly." He added that he was convinced that the president would not sign. Stories to that effect had reached him which rendered him sure of it.—To Cadwalader, Dec. 30, 1831, *ibid.*

[2] To McDuffie, Jan. 5, 1832, *P. L. B.*, Vol. IV, p. 79.

[3] *Ibid.*, pp. 80, 83. [4] *Ibid.*, p. 81. [5] *Ibid.*, p. 89.

[6] To J. W. Webb, Jan. 5, 1832, *ibid.*, pp. 74, 75.

[7] "Now if we postpone it on account of its effect on one of the candidates for the Presidency, we in fact take the side of that candidate. We make ourselves a party to the election, we violate our neutrality."—*Ibid.*

an absurd argument which would not have been hazarded six months earlier. On the very day that Biddle wrote this letter McLane sent his deferred protest, deprecating immediate application, arguing that this Congress was not elected to decide the question; that it would inevitably get mixed up with the presidential election; that Jackson would be offended; and that, since his advice had not been taken, he could not interpose against a veto.[1]

That Biddle in giving his reasons had not exhausted the arguments for the bank's action is self-evident. The opinion was firmly held by the Clay men that application at that time would defeat Jackson. If he vetoed the bill, he would lose Pennsylvania; if he failed to veto, after his past position, he would lose many southern and western votes. These were the determining political considerations with the National Republicans,[2] and it was the belief in the influence of the former upon Jackson which gave the bank a hope, though but a slender one, that the president would yield. Yet this very motive for acting must draw down upon the bank condemnation, for the act determined by it inevitably linked the destiny of the corporation with that of a political party, making the question of re-charter one to be decided by political rather than by business considerations. It is inferable, also, from Cadwalader's letters that another motive influencing the bank was the hope that if Jackson vetoed the bill a two-thirds majority of Congress favorable to re-charter could be secured at the coming elections. This was preposterous.

1 Jan. 5, 1832, *B. P.*

2 "McLane told me that he had most earnestly urged Mr. Clay not to attempt to pass a Bank bill at this Session, insisting that, if deferred to the next Session, he was satisfied that he could by that time, and by a Bank bill so framed as would be as useful as was necessary, induce Jackson to approve it. But that Clay persisted in the hope that, if the President approved the bill, he would lose the support of those of his party who had approved his opposition to the Bank, and a vast many others who approved of the State Bank system. And, on the other hand, if the President vetoed the bill, he would lose Pennsylvania and his election."—J. A. Hamilton to a friend, March 14, 1832, *Reminiscences*, pp. 243, 244.

Both Jackson and McLane were bitterly offended by the bank's action, and felt that they had just reason to complain. Jackson in particular must have been deeply irritated, since he had been persuaded to soften his message on the understanding that the bank would not make application until after the election.[1] He did not leave his friends in doubt as to his attitude. When informed that the object was to force him to assent to the bill or to lose Pennsylvania's vote, he retorted: "I will prove to them that I never flinch; that they were mistaken when they expected to act upon me by such considerations."[2]

Not only did the bank decide for itself the time and mode of applying for re-charter, but it selected its own champions. General Samuel Smith, who, as chairman of the Senate Committee on Finance, would have been the logical person to present the memorial, was set aside, because it was feared that he would not press the bill with sufficient determination, and Senator Dallas, a Pennsylvania bank Democrat, was selected in his stead. Dallas was gratified, having desired the distinction as the son of the man generally credited with being the creator of the bank, and he assured Cadwalader that he would not yield to Jackson's wishes to postpone the measure.[3] In the House, McDuffie, chairman of the Committee of Ways and Means, was the bank's chosen leader.

On the 9th of January, to the surprise of the majority of both its "friends and foes," few of whom had "calculated

1 Senator Smith said that McLane was hurt, and would not support the bank.—C. J. Ingersoll to Biddle, Feb. 5, 1832, *B. P.* "I understood him to say that the President toned down the last message on the understanding that he should not have the question up until after the election."—Same to same, Feb. 29, 1832, *ibid.* It is evident, too, that the movement compromised McLane's position in Jackson's cabinet.

2 J. A. Hamilton to a friend, Washington, March 14, 1832, *Reminiscences*, p. 243.

3 Cadwalader to Biddle, Dec. 29, 1831, *B. P.* It was also determined that no National Republican should be intrusted with this task, it being considered best to have a partisan of the president present the bill.—*Ibid.* This is in direct opposition to what Sargent says Biddle told him.—SARGENT, *Public Men and Events*, Vol. I, pp. 213, 214. Sargent is, of course, mistaken.

that a memorial would be presented this Session,"[1] the bank's application was made in both houses. Dallas, to the chagrin of the ardent bank men, played his part but indifferently, using language which revealed the opposition of the bank wing of the Jackson party to the present application. He wished it understood that he had discouraged the presentation, because he considered it too early, and because this particular Congress had not been elected for the purpose of deciding the issue.[2]

The bank did not leave its memorial unsupported. Biddle sent Horace Binney, a remarkably able lawyer, to Washington to see the bill through Congress, and at the same time busied himself in securing petitions for the re-charter from state banks and merchants throughout the country.[3] He also exerted all his skill to procure a resolution from the legislature of Pennsylvania instructing the senators and requesting the representatives in Congress to vote for the bill. Early in February Biddle was informed that this attempt had been completely successful, the legislature passing the instructing resolutions by an almost unanimous vote.[4] At the same moment he was told by a friend who was on an intimate footing with Jackson that the president might still be induced to sign a bill.[5]

At once his active mind reverted to his former project of securing a new charter with the assistance of Jackson. How little he felt bound to the National Republicans is apparent from his immediate decision to leave them completely and throw himself upon the president, as well as by his declaration to Charles J. Ingersoll that he cared

[1] John Connell to Biddle, Washington, Jan. 10, 1832, *B. P.*

[2] *C. D.*, Vol. VIII, Part I, p. 54.

[3] *P. L. B.*, Vol. IV, pp. 96–116.

[4] Unanimously in the senate; in the house by a vote of 77 to 7.—NILES, Vol. XLI, p. 436.

[5] S. E. Burrows to Biddle, Feb. 5, 1832, *B. P.* Burrows says that he has just spent three days with the president, and is confident that the bank can be re-chartered with Jackson's consent.

"nothing about the election."[1] The prospect of Clay's chagrin and Webster's coldness did not deter him for a moment. On the 6th of February he urged Dallas to take the resolutions of the Pennsylvania legislature to Jackson, warn him not to anger the state, and offer in the name of the directors to accept a bill with modifications.[2] At the same moment he asked Ingersoll to take similar action. Let the Pennsylvania delegation press it upon the president; get McLane and Livingston started; "Try if you cannot bring it about without loss of time." The bank could not withdraw the bill, but was perfectly willing to make it an administration measure, accepting whatever modifications the president might desire.[3] Dallas disappointed him.[4] Ingersoll, on the contrary, was delighted with the plan, and eagerly seized the opportunity. He hastened to Livingston and presented Biddle's letter to him. Livingston agreed that the procedure was the correct one, and said that the president would not oppose the bill on constitutional grounds, "but had certain notions of his own on the frame of the charter which ought to be complied with." Let him frame it to suit himself, replied Ingersoll. Livingston then said that he would attempt to secure the success of the plan; that McLane could not remain neutral; and finally outlined the modifications upon which he thought Jackson would insist.[5]

Livingston approached the president at once, and McLane joined him in the attempt to secure Jackson's assent. Jack-

1 Feb. 13, 1832, *P. L. B.*, Vol. IV, p. 167.

2 In doing this he would make his own fortune. Please tell him so. The president, too, would be elected.—Biddle to Binney, Feb. 6, 1832, *ibid.*, pp. 150, 151.

3 Feb. 6, 1832, *ibid.*, p. 152; also Feb. 9, 1832, *ibid.*, p. 162.

4 Biddle to Ingersoll, Feb. 13, 1832, *ibid.*, p. 168.

5 Ingersoll to Biddle, Feb. 9, 1832, *B. P.* See Ingersoll's account, *War of 1812*, Vol. II, p 268, where, however, he does not mention his own agency.

The modifications mentioned by Livingston were as follows: The bank to possess only real estate enough to carry on its business; states to be permitted to tax the branches; some additions to be made to the capital, so that new subscribers to the stock might be accommodated.

son, said Livingston, was particularly anxious that the government should cease to be a stockholder, and also desired the modifications already mentioned.[1] Biddle was pleased to hear this, and declared that the bank would go nine-tenths of the way to meet the president. "Let him take the charter and make any changes he likes, let him write the whole charter with his own hands. I am sure that we would agree to his modifications; and then let him and his friends pass it. It will then be his work. He will then disarm his adversaries."[2] On the 21st of February Ingersoll wrote that Livingston had "got most if not all the President's advisers to second our movement and that he thinks it will succeed."[3] In another letter of the same date he transmitted the intelligence that the entire cabinet, with the exception of Taney, was favorable. On the 22d he had a decisive interview with Livingston, who outlined the modifications which the president had finally determined upon. The government was not to hold any stock, but was to continue appointing directors on the parent board, and in addition to appoint at least one director at each of the offices; the states were to be permitted to tax the bank's property at the same rate used in taxing the property of state banks; no real estate was to be held excepting such as was absolutely needed. These were the president's terms. His friends added several others: a certain proportion of the capital stock was to be open to new subscriptions, the directors were to nominate two or three of their number, and the president of the United States would appoint one of these president of the bank.[4] Biddle agreed to all of these terms

[1] Ingersoll to Biddle, Feb. 12, 1832, *B. P.*

[2] To C. J. Ingersoll, Feb. 13, 1832, *P. L. B.*, Vol. IV, p. 167.

[3] Ingersoll to Biddle, Feb. 21, 1832, *B. P.*

[4] Livingston said: "I wish you would ascertain from him whether the Bank will agree to the President's views of the terms for a new charter, and he proceeded to recapitulate them—As my memory might fail me in some particulars, said I, suppose I make a written note of them. Very well he rejoined, and accordingly

excepting the last, which he passed without mention.[1] All was now considered settled, and Biddle was pleased that finally, after three attempts, the goal would be reached, with the consent of the president. What the dismayed Clay men would say to this he neither asked nor, apparently, cared. The welfare of the bank, and not the election of Henry Clay, was the consideration which swayed him. His one fear now was that the friends of the institution, in conjunction with some of its enemies, might postpone the bill,[2] in which case the plan of securing a charter in agreement with the administration would fall to the ground, since

I sat down at his desk, made the enclosed minute with his assistance, read it to him when done—and we parted on the footing of his unreserved declaration of his desire that I would submit them for your approbation or otherwise, as may be."

THE INCLOSURE

"1. No government interest in the bank.

"2. Appointment of one and more directors at the branches.

"3. Government represented there.

"4. Taxation by states of property of bank—i. e.—property in bank whether real or personal to be liable to same rule of taxation of State as their own property.

"5. No real estate except such as b'ot in to secure debts and to be sold in reasonable time.

"6. Government to have no interest in Bank.

"7. Certain proportion of capital thrown open for new subscription, which may be done by pro rata deduction from present capital.

"8. Directors to nominate two or three friends of them President of the United States to choose one a President.

"written 22d February in Mr. Livingston's house and presence, read to and sanctioned by him. C. J. INGERSOLL."

In the body of the letter Ingersoll again wrote out the conditions revised as follows:

"1. Government no interest in the Bank.

"2. President to appoint a director at each branch.

"3. The States to tax its property as they tax own.

"4. Bank to hold no real estate except such as was taken in payment or security of debt, and to part with in set time.

"These the Pres's terms.

"5. Certain proportion of capital stock to be thrown open to new subscriptions.

"This not President's, but Mr. L. seems to be very tenacious of it.

"6. Directors to nominate annually 2 or 3 persons of whom President to appoint any one President of the Bank.

"This neither Pres's nor L's, but others."—Ingersoll to Biddle, Feb. 23, 1832, *B. P.*

[1] Biddle wrote out at length the other five points, and assented to them without reservation.—Biddle to Ingersoll, Feb. 25, 1832, *P. L. B.*, Vol. IV, pp. 247-50.

[2] This is "the greatest danger now."—Biddle to Herman Allen, of Burlington, Vt., Feb. 27, 1832, *ibid.*, p. 189; also to J. W. Webb, Feb. 20, *ibid.*, p. 176.

the president would prefer postponement to any action whatever.

All these fair prospects were unexpectedly blighted by what appears on the surface to be a remarkable fatality, but which fuller knowledge may show to have been no chance medley. It must be recollected that Congress thus far had taken no decisive step on the subject, so that the president considered himself as yet unfettered in his action. Just at the moment when agreement had apparently been reached, Senator Benton, the inveterate enemy of the bank, resolved that Congress should act, and in such a way as would preclude for the time being any further consideration of the plan now before Jackson. Was he acting in conjunction with those of Jackson's advisers who opposed the bank, knew what was being done, and had determined to checkmate the skilful moves of Biddle and Ingersoll? Or was Jackson himself playing fast and loose with McLane and Livingston? The latter conjecture is rendered probable by a letter of February 16 from C. C. Cambreleng to Jesse Hoyt, wherein he says:

> Judge Clayton of Georgia has a resolution prepared and will offer it as soon as he can—it will cover the objects in view—I shall see the President to-night—who has a *confidential* director on the spot. You need not fear but what we shall take care of the Mammoth in some way or other.[1]

Certain it is that the opponents of the bank had resolved that the institution should be investigated. The result would be fatal to the bank's hopes. The president would do nothing until after investigation, and nothing then if the investigation did not show the bank spotless,[2] which it certainly would not do to Jackson's satisfaction. Benton's account of

[1] MACKENZIE, *Lives of Butler and Hoyt*, p. 101.

[2] "On the other hand, should that enquiry not be made successfully and a Bank bill be passed, the President will most certainly veto it. He is open and determined on this point. I conferred with him yesterday on the subject."—J. A. Hamilton to a friend, Washington, March 14, 1832, *Reminiscences*, p. 243.

his maneuver is that he wished to employ this means in order to furnish campaign material against the bank.[1] He and his friends therefore determined that an investigation of its affairs should be demanded in the House. This would place the bank party in a dilemma. "If the investigation was denied, it would be guilt shrinking from detection; if admitted, it was well known that misconduct would be found."[2] Benton provided A. S. Clayton, of the House, with a number of charges of misconduct and violation of the charter, and on the 23d of February Clayton demanded an investigation.[3]

The act was immediately fatal to Biddle's well-laid plans. The president "must needs await the issue" of the inquiry, said Livingston;[4] and an investigation must take place; there must be no shirking examination, if the president was to do anything for the bank.[5] On the 6th of March Livingston asserted that the president would assuredly have signed the bill agreed upon were it not for the action of Congress;[6] and on the 14th he repeated that there was "nothing in the way but the Inquiry."[7] The president's position, however, was now completely changed. Neither he nor any other man knew what he would do.[8]

Clayton's demand for an investigation was acceded to by the bank's supporters after a heated debate, McDuffie for some unknown reason allowing it to take place under conditions unfavorable to the bank.[9] Speaker Stevenson,

1 "Our course of action became obvious, which was—to attack incessantly, assail at all points, display the evil of the institution, rouse the people—and prepare them to sustain the veto."—*Thirty Years*, Vol. I, p. 235.

2 *Ibid.*, p. 236. 3 *Ibid.*, pp. 237, 238. 4 Ingersoll to Biddle, March 1, 1832, *B. P.*

5 Same to same, March 3, quoting Livingston, *ibid.*

6 Same to same, March 6, 1832, *ibid.* 7 Same to same, March 14, 1832, *ibid.*

8 Same to same, March 11, 1832, *ibid.* Had talked with Lewis, "who does not know what the President will do." Same to same, March 14, has had "the most satisfactory interview" with Livingston, but nothing to be done yet.

9 See ADAMS, *Memoirs*, Vol. VIII, p. 483. His action, said Ingersoll, was a "capitulation." Adams said to Ingersoll, "he is politically either a coward or a traitor." Ingersoll thought it was want of nerve and coolness.—To Biddle, March 2, 1832, *B. P.* On March 6 Ingersoll concluded, however, that McDuffie's object was to

who was an uncompromising enemy, appointed a select committee with an anti-bank majority. The committee failed, however, to substantiate a single one of the multifarious charges. Indeed, the report showed total ignorance of banking operations and an astounding incompetence on the part of the majority. They were bewildered by the heaps of abstruse documents placed before them, they had no training in monetary affairs, and, worst of all, no kind-hearted bank president volunteered to lead them through the doleful labyrinth. The result was an absurdly inconsistent and blundering report, which was completely refuted by the minority, and torn to tatters by a minority of the minority, John Quincy Adams, whose talents for invective and scathing denunciation never appeared to better advantage. Clayton's report was not only admittedly a failure, but it was greeted with shouts of Homeric laughter by every man of understanding. "I almost pity Clayton. He is quite prostrated," wrote Watmough to Biddle,[1] and Niles declared that the report made converts to the cause of the bank.[2]

Nevertheless, the understanding ones were mistaken, for "the people," who do not need to understand, were convinced that something was wrong with the bank, and they were to determine its fate.[3] More important still for the moment was the effect upon Jackson, who was convinced

press the tariff question before the bank.—To Biddle, *ibid.* Biddle was disgusted.—To C. J. Ingersoll, March 4, 1832, *P. L. B.*, Vol. IV, p. 202. He considered "McDuffie's acquiescence unfortunate."—To Edward Everett, March 10, 1832, *ibid.*

[1] May 2, 1832, *B. P.*

[2] "Some who had doubts as to the correctness of its [the bank's] proceedings, were satisfied by the shewings of its enemies, ... that all was right!—and others, who were opponents of the institution, have laughed so much at the solemn arraignment of the charges and statements against it, as to become quite good-humored, and now feel entirely willing to renew its charter, with a few modifications of the present powers of the institution."—NILES, Vol. XLII, p. 209.

[3] The fate of the bank and the condemnation of its opponents are unconsciously pronounced by Benton in these words: "Certainly the great business community, with few exceptions, comprising wealth, ability and education, went for the bank, and the masses for General Jackson."—*Thirty Years*, Vol. I, p. 228.

that the charges had been fairly established.[1] So much may be gathered from his veto message, wherein he declares that the examination was "unwillingly conceded and so restricted in time as necessarily to make it incomplete and unsatisfactory," but yet it disclosed "enough to excite suspicion and alarm, ... enough to induce a majority of the committee . . . . to recommend a suspension of further action upon the bill and a prosecution of the inquiry," and that "it was to have been expected that the bank itself, ... would have withdrawn its application for the present, and demanded the severest scrutiny into all its transactions."[2] Jackson, then, was confirmed in his suspicions of the bank's integrity, and believed that the investigation imposed upon the directors the duty of withdrawing their application. The plan of re-chartering the bank at this time with his consent was no longer tenable.

It remained to do one of two things: either to withdraw the bill, or to press forward in the hope that the president could be persuaded to assent or that the necessary two-thirds majority for the bill could be secured. Rumors that the measure would be deferred had existed, and they revived now.[3] But on this point Biddle was inexorable. The measure could not be withdrawn without a tacit confession of error in having presented it. The leaders of the National Republicans were also resolved that there should be no postponement.[4] It was this dogged resolution to press for-

[1] "The affairs of the Bank I anticipated to be precisely such as you have intimated. When fully disclosed, and the branches looked into, it will be seen that its corrupting influence has been extended everywhere that could add to its strength and secure its recharter."—Jackson to James A. Hamilton, March 28, 1832, *Reminiscences*, p. 244.

[2] *Messages and Papers*, Vol. II, p. 589.

[3] McLane to Biddle, April 8, 1832, *B. P.*

[4] "Messrs. Clay and Webster replied . . . . that they were confident of their ability to carry a bill through Congress re-chartering the bank, even though the bill should encounter a presidential veto; but that they could not be responsible for the result if, in the heat of the contest, the bank, abandoning its reliable friends, should strike hands with its foe."—WEED, *Autobiography*, Vol. I, p. 374. See corroborative statements in INGERSOLL, Vol. II, p. 269.

ward, despite Jackson's opposition, which ruined the institution, becoming "the great cause of the conflict which arose between the Bank and the President,"[1] and it explains Livingston's assertion that the veto "could not have been avoided; the managers of the bank drew it on themselves."[2]

Nevertheless, though determined to prosecute the attempt notwithstanding the opposition of Jackson, Biddle resolved to approach him once more. On the 20th of May he took up quarters in Washington to manage the campaign in person, and immediately attempted to return to the plan so near success before the fatal investigation. He sought out McLane and had a "full and frank conversation" with him on the subject. He then saw Livingston. He argued that the investigation had resulted so favorably for the bank that it disarmed, "or ought to disarm some of the hostility hitherto entertained." Consequently Jackson could revert to the project agreed upon before the investigation, the bank being willing to accept "such modifications as would be agreeable to the administration." It was awkward, he said, to have "the measure before Congress while the Department to which it belonged had no cognizance of it." McLane and Livingston conferred together, probably consulted the president, and took once more the sense of the cabinet. But the situation was unchanged. Livingston assured Biddle that "the awkwardness was irretrievable."[3] Jackson would be satisfied only by the withdrawal of the measure.

1 Ingersoll to Biddle, Washington, Jan. 18, 1833, *B. P.*

2 Livingston to Dallas, Aug. 26, 1832, HUNT, *Life of Livingston*, p. 370.

3 "On my arrival I began with a full and frank conversation with Mr. McLane on the snbject of the Bank and at his suggestion saw Mr. Livingston — after which they conferred — and I saw Mr. Livingston.

"The general purport of my communication was this. The investigation has given a new aspect to our affairs — it disarms, or ought to disarm some of the hostility hitherto entertained towards it, and furnishes a new motive for pressing a decision. Under these circumstances it would be very agreeable if the Executive would concur in promoting the object — which we would gladly attain by accept-

Having failed in this last attempt, nothing remained but to press the bill,[1] making it as unobjectionable to the president as possible, in the hope that his assent might thus be secured. As Biddle knew precisely the kind of a charter which the president could be brought to compromise upon, the task was not difficult; and a reading of the bill to continue the bank will show that some attempt was made to meet the president's wishes.[2]

After the interview with McLane and Livingston, Biddle had a conference with McDuffie and Webster, and it was determined to take up the bill in the Senate first.[3] Accordingly on the 23d of May Dallas, reporting from the Select Committee to which the petition for re-charter had been committed,[4] outlined the amendments to the original charter which the bank party was willing to grant. A number of other amendments was suggested, both by the friends and by the enemies of the bank. The southerners wanted the rate of interest lowered,[5] and it was proposed that, instead of demanding a bonus, the rate should be 5 per cent.[6] Mangum thought that this concession would tend most materially to "allay public excitement in the South."[7] Other amendments offered demanded that no branch should be established

ing such modifications as would be agreeable to the administration. I stated moreover the extreme awkwardness of having such a measure before Congress while the Department to which it belonged had no cognizance of it—and my anxiety to cooperate with the Executive in modifying and perfecting the measure. I need not detail peculiarity of their situation which makes them passive and all that I could learn from Mr. Livingston was that the awkwardness was irretrievable—and that it only remained to make the bill as unexceptionable as possible.

"We have then parted good friends."—Biddle to Cadwalader, May 30, 1832, *B. P.*

1 "I then betook myself seriously to the passage of the bill."—Same to same, *ibid.*, *loc. cit.*

2 In these points: Not more than two offices in each state; real estate not necessary to the bank's business not to be held more than five years; the bank might appoint two officers to sign its notes."—See Ingersoll's remarks, Vol. II, pp. 268, 269.

3 Biddle to Cadwalader, May 30, 1832, *B. P.* Note the absence of Clay.

4 Dallas, Webster, Hayne, Johnston, and Ewing. All friends of the bank excepting Hayne.—*C. D.*, Vol. VIII, Part I, p. 55.

5 FORSYTH, June 6, 1832, *ibid.*, p. 1045.

6 BIBB, June 4, 1832, *ibid.*, p. 1022.

7 MANGUM, June 5, *ibid.*, p. 1030.

in a state without the state's consent; that branches should be subject to taxation by the states;[1] that the president of the United States should appoint all the presidents and one-half of the directors of the bank and its branches, who need not be stockholders;[2] that the bank should be required to take any of its notes at any of its branches in payment of debts from individuals;[3] that its monopoly should be destroyed;[4] that members of Congress and officers of the government should be prohibited from holding stock;[5] that in case the public deposits exceeded $1,000,000, interest should be charged at 3 per cent.;[6] and that foreigners should not be permitted to own stock.[7] It is apparent that all these amendments contemplated no fixed plan of improving the bank as a financial concern. The only one which could be so considered was that compelling it to receive all its notes from individuals in the payment of debts. The remaining amendments looked to depriving the bank of power and efficiency for the benefit of state rights or of state banks, or else were intended to diminish its profits. They were offered mainly with the purpose of embarrassing the bank and assisting Jackson in the coming campaign.[8] All new amendments were rejected with the exception of one compelling the bank to furnish annually to the secretary of the treasury a list of foreign stockholders, and to any state treasurer, on demand, a list of stockholders resident in his state; and another allowing Congress at any time to prohibit the issue of all notes of a smaller denomination than twenty dollars.

Even at this juncture Biddle was warned to pause, and the bank Democrats appealed to him to defer the bill.[9] He

[1] MARCY, June 6, *C. D.*, VIII, Part I, p. 1043.
[2] BIBB, June 1, *ibid.*, p. 1005.
[3] IDEM, *ibid.*, p. 1007.
[4] BENTON, June 2, *ibid.*, p. 1007.
[5] IDEM, *ibid.*, p. 1010.
[6] WHITE, June 6, *ibid.*, p. 1045.
[7] BENTON, June 2, *ibid.*, p. 1010.
[8] *Thirty Years*, Vol. I, p. 236.
[9] Benton said as late as June 2 that Jackson would veto the bill if "pressed now."—INGERSOLL, Vol. II, p. 269.

refused. On the 9th of June the resolutions of the Pennsylvania legislature instructing their senators and asking their representatives to vote for the bill were presented in the Senate. Two days later the bill passed that body by a vote of 28 to 20,[1] and on the 3d of July the House of Representatives by a vote of 107 to 85.[2] The vote in the Senate is significant of the position of various parts of the Union on the question. All the New England senators voted aye excepting Hill of New Hampshire; of the senators from the middle states only three were opposed, those from New York and one from New Jersey. In the South and Southwest only three were favorable, those from Louisiana and one from Mississippi. All the western states were favorable excepting Kentucky, Illinois, and Missouri, which divided their votes. The determined opposition was from the South and Southwest.[3]

The new provisions modified and improved the original act. The bank was given a renewed lease for fifteen years; it might have two or more officers whose sole duty should consist in signing its notes of a less denomination than $100; it was to issue "no branch bank drafts, or other bank paper not payable at the place where issued" under the denomination of $50; it was to pay all notes of a less denomination at the bank and at the office whence issued; it must receive all its notes at whatever offices tendered in payment of debts due from state banks; it must not hold for a longer period than five years real estate in excess of what was neces-

[1] *Senate Journal*, 22d Cong., 1st Sess., p. 345. Biddle then returned to Philadelphia.

[2] *House Journal*, 22d Cong., 1st Sess., p. 1074.

[3] *Senate Journal*, 22d Cong., 1st Sess., pp. 345, 346, June 11, 1832. For: Maine, Vermont, Rhode Island, Connecticut, Massachusetts, Pennsylvania, Maryland, Delaware, Ohio, Indiana, Louisiana. Against: New York, Virginia, South Carolina, North Carolina, Tennessee, Alabama, Georgia. Divided: New Hampshire, Kentucky, Illinois, New Jersey, Missouri, Mississippi. Senators instructed for: Pennsylvania, Maryland, Delaware, Louisiana; against: New York.—*House Journal*, 22d Cong., 1st Sess., p. 500.

sary for carrying on its operations; it must not have more than two offices in any state where more than that number were not already established; it was to pay an annuity of $200,000 to the United States; Congress might prohibit the issue of any notes of less than $20; the cashier was to furnish annually to the secretary of the treasury a list of foreign stockholders, and, on demand, to the treasurer of any state a list of stockholders resident in his state.[1]

These amendments were skilfully designed to satisfy the powerful opposition of states and state banks and that aroused by the issue of branch drafts, but they also achieved a much more commendable purpose — that of amending the currency by modifying the bank's privileges of issue. The attention of Congress was evidently fixed on this question almost to the exclusion of any other. This was natural, because the issues were the absorbing subject of discussion at that day, and were much more important than later, because deposits constituted a relatively small part of the bank's currency. The amendments were consequently of much importance. Thus the permission to have officers whose sole duty should be the signing of the bank's bills would permit the issue of sufficient paper to supply the South and West. It would also render counterfeiting more difficult. The prohibition of the issue of branch drafts would terminate the use of an irregular currency, which might be dangerous, and which was certainly not amenable to the laws that applied to the rest of the bank's issues; the clause compelling the bank to pay all its notes of a less denomination than $50 at the place of issue would make almost all the bank's notes payable at these places, as well as at the parent bank; it would tend to destroy the slight depreciation which existed, and to place a check upon over-issues, since the notes would be more easily redeemable than in the past; the necessity of

[1] *Senate Journal*, 22d Cong., 1st Sess., pp. 451–3. See Appendix IV for the bill.

accepting all notes from state banks would operate in the same way, but to a much greater extent, since it would have meant virtually the receipt of all notes at all the offices from both the state banks and individuals. Individuals with distant branch notes would have deposited them in state banks if the branch refused to accept them, and the state bank would then offer them in payment of balances when they would of necessity be received. The arrangement would therefore terminate all depreciation; it would do much more than this, for it would materially reduce the bank's ability to control the issues of the state banks, giving the latter a power to draw specie for notes not issued by the particular branches at which the notes were offered. The inevitable result would be that the bank must diminish its business in order not only to retain control of the state banks, but also to prevent them from securing ruinous control over it. The state banks would in turn be compelled to diminish their accommodations. The effect would certainly not have been injurious from a business point of view, since it would place new restrictions on the tendency to over-banking; but it would be so annoying to the bank that Biddle protested vigorously against the provision.[1] Remonstrance was useless, for Senator Ewing, who championed the amendment, declared flatly that unless it were incorporated in the bill many of the western members would not vote for the bank.[2] Under its operation the bank's notes would have been as convertible as the notes of the present national banks. Similarly, the clause permitting Congress to prohibit the issue of all notes less than $20 would, if Congress used the power granted, materially reduce the bank's circulation in the interest of the state banks. All the defects of the bank's note issues would have been supplied if the bill for the new charter had succeeded.

1 To H. Binney, Feb. 18, 1832, *P. L. B.*, Vol. IV, p. 181.

2 H. Binney to Biddle, Feb. 14, 1832, *B. P.*

Still another clause which would have had a far-reaching effect in improving the character of the bank's business was that providing that the corporation should not hold longer than five years real estate acquired for other than its necessary business operations. The result of this clause would have been to diminish the temptation to loan on mortgages and other real-estate security—a practice which was largely responsible for the bank's difficulties in 1819. In so far as the clause thus operated, it would have been of vast consequence in the improvement of banking everywhere in the United States. No doubt it would have diminished the capital loaned in the West and South, thus decreasing the bank's profits while increasing its security.[1]

The remaining amendments were important, but by no means so essential as those already mentioned. The restriction of its offices to two in any one state was a concession to state rights and to state banks; the necessity of supplying the secretary of the treasury with the names of foreign stockholders could serve no particular purpose, except that it met a popular demand; but that of giving to state treasurers the names of resident stockholders might furnish an opportunity to the states to tax the bank indirectly by taxing its stock. Had the bill been approved, the bank would have lost none of its usefulness, and a marked improvement of the currency would have resulted, to such an extent, indeed, that the currency of 1837 would have been easily convertible, elastic, undepreciated, and little liable to over-issue.

What would Jackson do with the bill? Well-informed men on both sides were confident that he would veto it. On May 31 Cadwalader declared that the veto was certain. "I say *the veto*—for VETO IT WILL BE!" he exclaimed.[2] Biddle was almost as certain as Cadwalader.[3] Robert Pat-

[1] The provision as first introduced fixed the term of holding at two years, which would in all probability have completely checked loans on real-estate security.

[2] To Biddle, May 31 [1832], *B. P.*

[3] To Cadwalader, July 3, 1832, *ibid.*

terson, a friend of Biddle, tried to persuade the president that he should affix his signature, and thought that the difficulties and objections were not "insuperable."[1] But he was mistaken, for on the 10th of July the president returned the bill to the Senate with his objections.[2]

The financial and constitutional arguments of this famous message have been keenly criticised, and, whatever may be the validity of its constitutional objections, its economic reasoning is in the main beneath contempt.[3] But the reasoning was its least valuable part, for it appealed to a clientele which was utterly incapacitated from distinguishing truth from falsehood in matters so abstruse, but understood completely the arguments which appealed to Jackson himself. To be told that the charter would present "a gratuity of many millions to the stockholders," of whom the holders of "more than eight millions" were foreigners, and that this gratuity "must come directly or indirectly out of the earnings of the American people;" that the stock would "be worth 10 or 15 per cent more to foreigners than to citizens of the United States;" that such grants had a tendency "to make the rich richer and the potent more powerful;" that in case of war with a foreign nation, a bank "almost wholly owned by subjects" of that nation "would be more formidable and dangerous than the naval and military power of the enemy;" that the bank's loans in the West involved "a burden upon their industry and a drain of their currency"—all this, though demonstrably and grossly false, seemed comprehensible and was certainly terrifying, and the masses were grateful to learn these things which had been hidden from the wise and prudent and revealed unto Andrew Jackson.

[1] To Biddle, June 21, 1832, *ibid.* [2] *Messages and Papers*, Vol. II, pp. 576 ff.

[3] Livingston, who wrote many of the president's papers, seemed to consider it necessary to deny that he had anything to do with this.—Livingston to Dallas, Aug. 26, 1832, HUNT, *Livingston*, pp. 370, 371. Taney was one of the contributors.—TYLER, *Memoir of R. B. Taney*, p. 181.

The message was even stronger, and certainly more defensible, in its attack upon the charter as a monopoly granting privileges to a favored few, and therefore opposed to the principles of democracy and dangerous to the government and country. It is hard to believe, however, that there was much weight in this strain of argumentation, but it was very influential with the people.

Of the other objections little need be said: The president asserted that the bill favored state banks as against individuals; that the bonus was too small, the capital too large; that the institution was dangerous to the rights of the states because they were not permitted to prohibit the placing of branches in their territory, or to tax it; that it was virtually a foreign bank; that it was not necessary to the government; that it was unconstitutional; and that he could have furnished a better plan had he been called upon to do so.

The strength of the veto consisted in its appeals to Americans against foreigners; to the poor against the rich; to the West against the East; to the democracy against privilege. These were powerful sentiments, and once thoroughly aroused were certain to overthrow the bank.

The blindness of the bank's supporters was ludicrous and almost pathetic. Cadwalader said the bank's life depended "on getting the veto *now*—so that the nation may be roused before the autumnal elections . . . . if vetoed *now* I should feel sanguine as to the two thirds of the new Congress."[1] Regarding the message from the point of view of intelligent men, the bank's partisans exulted, considering it as utterly contemptible, and, instead of perceiving the peril which lurked in its appeal to popular prejudices and to the democratic passion for equality, they thought it so anarchical that everyone would reject it, and they conse-

[1] To Biddle, May 31 [1832], *B. P.*

quently circulated 30,000 copies of it as a campaign document calculated to "damn the administration wherever it was read."[1] Biddle considered the effect of the veto as all that "the friends of the Bank and of the country could desire;" he was "delighted" with the message: "It has all the fury of a chained panther, biting the bars of his cage. It is really a manifesto of anarchy, such as Marat or Robespierre might have issued to the mob of the Faubourg St. Antoine."[2] The general contempt of the bank's adherents was well expressed by one of them:

This document . . . . will probably be kept in memory. . . . . and often appealed to as a curious example of the extent to which, at the commencement of the nineteenth century, the elected chief magistrate of a free, civilized and enlightened people dared to insult the common sense and moral feeling of his constituents.[3]

After the message was received, a number of speeches was made in the Senate to furnish campaign material, for no one expected that the bill could be passed over the veto, and it finally failed by the Senate's vote of 22 to 19.[4]

In the campaign which immediately followed the bank was the paramount issue, and it was soon evident that the veto, instead of providing a congressional majority of two-thirds for the bank, had lifted Jackson to the summit of popularity,[5] for the election closed with his overwhelming

1 PARTON, Vol. III, p. 411. The accounts of the bank contained an item of $558 paid for "printing *Gen. Jackson's veto*, 30,000 copies, wrapping and distributing them."—*S. D.* 17, 23d Cong., 2d Sess., p. 325. See Watmough to Biddle, Sept. 25, 1832, *B. P.* "May I beg the favor of you to send me this afternoon another ample supply of the Veto document . . . . It is an admirable paper and is attended with the best effects."

2 To H. Clay, Aug. 1, 1832, *Clay's Correspondence*, p. 341.

3 Pamphlet on *The Conduct of the Administration*, pp. 57, 58.

4 *Senate Journal*, 22d Cong., 1st Sess., p. 463.

5 Jackson was much more clear-sighted in this respect than his opponents. Writing to Lewis, Aug. 9, 1832, he said: "With my sincere respects to Kendall & Blair, tell them the veto works well, & that the Globe revolves with all its usual splendor—That instead, as was predicted & expected by my enemies, & some of my friends, that the veto would destroy me, it has destroyed the Bank."—SUMNER, *Jackson* (revised), p. 326, quoting Ford manuscripts, now in possession of the New York Public Library. See *Bulletin of New York Public Library*, Vol. IV, No. 9, pp. 299, 300.

triumph, 219 electoral votes being cast for him against 49 for Clay.[1] As Biddle had clearly foreseen, the victorious general accepted the result as a distinct approval of his veto and a mandate to complete the work so nobly begun. He was justified in so regarding it. Biddle had committed a monstrous error with his eyes wide open — he had applied for a re-charter at a moment which precipitated the question into politics. The bank war began at that point. Thenceforth the bank acted, not as a business corporation should act, but as a body possessing political functions and created for political purposes; it divided the Democratic party into bank and anti-bank factions, and drove Jackson to the wall. It is no wonder, therefore, that Jackson was infuriated and determined to crush the bank. Had he failed to act as he did, he would have been inconsistent and lacking in moral courage — he would not have been Andrew Jackson.

[1] The new House of Representatives stood 140 for Jackson, 100 opposed.—NILES, Vol. XLV, p. 228, note.

CHAPTER XI

THE CHARGES AGAINST THE BANK

THE subject in connection with the bank which always arouses most interest is its alleged corrupt connection with politics. It may be said at once that there never has been any evidence produced to show that the bank as a national bank ever spent a dollar corruptly. Yet the accusation was repeated so often that historians have been inclined to accept as proved what was only vehemently asserted, and it begot an incurable suspicion which has endured to this day.

It is self-evident that the bank would be affected by political considerations, since from the beginning to the end of its existence it was to a large extent subject to the will and whim of politicians, and it was frequently attacked by them. Had the board of directors been composed exclusively of canonized saints, still the conciliation of politicians and political forces would have been necessary. The only question worthy of discussion is that of the bank's honesty or corruption in this situation.

Biddle in 1829 rejected as totally inadmissible any attempt to create boards on which the political parties were fairly balanced, and declared that political affiliations should not be considered in such selections. He was right in this; but it must not be supposed that the proposition of a political balance was novel, or that Jackson Democrats first suggested it, or that there was any moral obliquity in such an arrangement. When the first government directors were named, President Madison frankly selected them all from his own political party, and the private stockholders, quite

certain that the bank must either be a political machine or possess a balance of parties, elected ten Republicans and ten Federalists as their members of the board. Madison and his capable and honest secretary, A. J. Dallas, then struggled successfully to secure the presidency of the bank for a Republican partisan of no particular ability or experience as a banker,[1] and thus the disasters consequent upon the presidency of William Jones are primarily chargeable to James Madison and Alexander James Dallas.

The policy of political balance then inaugurated was religiously pursued all through the administration of William Jones, and certainly through part of that of Langdon Cheves. Writing to Biddle in 1820, John McKim urges him to assist in the election of a Republican director at Baltimore, "as you know that the Republicans are one short of their number, and the necessity of giving us our share of the Directors, as we do hold more than the half of the stock, and it having been Policy to divide the two Partys in the direction, since the Bank was established."[2] When this equal division ceased it is not possible to say, but it may be reasonably presumed that the disintegration of parties under Monroe caused its cessation.

Biddle was opposed to the practice,[3] and fought against it strenuously when it was suggested in the case of the Kentucky branches and the branch in New Hampshire in 1829. He then stated that he considered such an arrangement as largely responsible for the bank's losses in the West in the early years of its career.[4] As to his rumored desire

[1] See p. 22 for the evidence. [2] Jan. 8, 1820, *B. P.*

[3] "The truth is, that every day's experience satisfies me, that the safety of the Bank, lies in its complete estrangement from politics."—Biddle to R. Smith, Feb. 5, 1829, *ibid.*

[4] "The truth is, that almost all the misfortunes of the Bank of the United States, are traceable, directly or indirectly, to politics. In Kentucky the losses were in a great measure incurred by loans to prominent politicians of all sides whose influence procured them undue facilities which ended, as frequently happens in such cases, by ruining them as well as crippling the Branches. These things have made

to have the bank anti-Jackson, he repudiated it altogether, and constantly wondered why anyone could suppose that a bank would care which political party was up or which was down. He was never weary of quoting Dean Swift's remark that "money is neither Whig nor Tory," and in asserting that "men will lend where they are sure of getting back their money with a profit." This was sound sense, and holding these opinions with deep conviction Biddle was anxious above all to exclude political considerations.

Nevertheless he was not able to carry out his wishes altogether. During Adams's administration members of the party in power were no less ready to complain and to demand assistance from the bank than were the Jackson politicians later. Biddle repulsed them with as little ceremony as he repulsed Ingham,[1] yet he was compelled to consider political affiliations in the appointments to the boards all through his presidency. In January, 1824, there was dissatisfaction in Boston with the political complexion of the directorate there, and B. W. Crowninshield was substituted for a Federalist on the parent board in order to give the other party a chance and to assuage "feelings which may hereafter grow into hostility."[2] Again in 1828 he retained the services of C. P. White at New York because it was not expedient to "alienate a member of the Board at such a time—to offend personally a member of that Congress before whom the Bank may probably come for a renewal of its charter,"[3] while in November, 1832, he was

us sensitive on that point, and unwilling to see any great political influence introduced, which might lead to a recurrence of similar misfortunes."—Biddle to John McLean, Jan. 10, 1829, confidential, *ibid.*

[1] "I will not give way an inch in what concerns the independence of the Bank, to please all the Administrations past, present or future.

"The bigots of the last reproached me with not being for them—the bigots of the present will be annoyed that the Bank will not support them.

"Be it so. I care nothing for either class of partisans and mean to disregard both."—Biddle to Dickins, Sept. 16, 1829, *P. L. B.*, Vol. III, p. 67.

[2] Biddle to David Sears, of Boston, Jan. 5, 1824, *ibid.*, Vol. I, p. 90.

[3] To I. Lawrence, Nov, 28, 1828, private, *ibid.*, Vol. II, pp. 434, 435.

anxious "to conciliate gentlemen who may be useful to the institution."[1]

It will be observed, however, that there was no plan of a political balance in these instances. Another conclusion must also be drawn, that, so far from trying to constitute his boards all of one political party, as the Jackson politicians asserted, Biddle took unusual pains to appoint members of the various parties when he could secure those who were qualified for the positions. After the correspondence with Ingham and the reiterated charges of doing precisely what he wished to avoid, Biddle introduced additional Jackson politicians into the boards. He did this at Baltimore,[2] at New York,[3] at New Orleans,[4] at Portsmouth,[5] at Nashville,[6] at Lexington,[7] and at Utica.[8] He allowed Lewis to

[1] "In the choice of our Directors it often becomes necessary to conciliate gentlemen who may be useful to the institution — and to be very careful not to alienate our friends. At the present moment it is especially desirable to avoid everything which might estrange those who are engaged in a cordial and warm support of the Bank." — To M. Robinson, Nov. 30, 1832, *P. L. B.*, Vol. IV, p. 328.

[2] Biddle to ——, of Baltimore, Nov. 22, 1829, DAWSON, *Historical Magazine*, 2d ser., Vol. IX, pp. 10, 11.

[3] "On examining your list of Directors, it struck me that it might be liable to the reproach of being exclusively composed of gentlemen of one political party. I have but a moment to ask you and Mr. Robinson to name two or three gentlemen who are considered friendly to the present Administration who would make good Directors."—Biddle to I. Lawrence, Nov. 27, 1829, *P. L. B.*, Vol. III, p. 96.

[4] "You will not be displeased to know that at the last meeting of the Board, Martin Gordon and Maunsel White were two of the four new members elected as Directors of the office at New Orleans."—Biddle to Lewis, Nov. 29, 1829, *ibid.*, p. 97.

[5] Biddle to Cadwalader, Aug. 28, 1829, *B. P.*

[6] Biddle asked Lewis's opinion about the Nashville board, Oct. 14, 1828 (*P. L. B.*, Vol. III, p. 75); and again in April.—Same to same, April 27, *ibid.*, p. 229. Lewis sent a list of names for members of that board May 3, 1830.—Lewis to Biddle, *B. P.* Biddle received it with thanks.—To Lewis, May 8, 1830, private, *P. L. B.*, Vol. III, pp. 239, 240. On May 24 he sent Nichol's list to Lewis, and asked for Lewis's opinion of it.—Same to same, private, *ibid.*, p 249. Lewis violently opposed the nomination of any of Governor Carroll's friends.—Same to same, June 11, 1830, confidential, *ibid.*, p. 270. When asked for reasons, Lewis said that the person to be appointed was obnoxious to the friends of the present administration.—Lewis to Biddle, June 13, 1830, *B. P.* Biddle assured Lewis that his wishes should be respected.—To Lewis, June 21, 1830, *P. L. B.*, Vol. III, p. 274. Governor Carroll's nominees were not appointed.—Biddle to Carroll, June 22, 1830, *ibid.*, pp. 279, 280.

[7] Lewis sent a list of directors for the Lexington branch early in 1830.—Biddle to Lewis, Feb. 24, 1830, *ibid.*, p. 185.

[8] General P. B. Porter was not to be chosen president because of his anti-Jackson affiliations.—Biddle to Porter, Sept. 25, 1829, *ibid.*, p. 70.

name most of the members of the Nashville board,[1] took his advice about the Lexington branch, and ceased his complacency only when he saw reason to suspect that the wily major would soon be naming all the western directorates. In August Lewis wrote saying that he was half ashamed to ask for further favors, but that "Our friends at Louisville, Kentucky, think they are not fairly and equally represented in your Branch at that place," and he forwarded the names of three gentlemen whose appointment would probably "give entire satisfaction to the friends of the administration in that part of the state."[2] This further encroachment upon the province of the bank exhausted the patience of its much-enduring head, and he politely declined to introduce "new members . . . . for the purpose of making any political balance."[3] The refusal is creditable to Biddle; it proves that he would not be subservient to the administration even at a most critical moment in the bank's attempts to secure Jackson's assent to a re-charter, and that he was fixed in his determination that the bank should not degenerate into a political machine.

It may be argued, however, that while the parent board was free from political chicane and bias, the local boards were not. Such arguments are undoubtedly applicable to the early years of the bank, because in the southern and

[1] Lewis ought to be satisfied, "for out of the whole Board, a very large proportion are of gentlemen nominated by yourself."—Biddle to Lewis, June 22, 1830, *ibid.*, p. 277.

[2] "You have conferred upon me so many and such great favours I am almost ashamed to ask for any additional ones. But still I must ask one more of your Board. . . . . I have been furnished with the names of three gentlemen, who, if appointed Directors for the next year, in your Louisville Branch, I have reason to believe will give entire satisfaction to the friends of the administration in that part of the state."—To Biddle, Washington, Aug. 18, 1830, *B. P.*

[3] "To introduce new members—members not so well qualified as those now there, for the purpose of making any political balance, would be wrong in itself and would expose us to the very imputation we wish to avoid of looking to party considerations. On the whole therefore I thought it better to let the business considerations prevail over politics."—To Lewis, Oct. 31, 1830, *P. L. B.*, Vol. III, *circa* p. 370.

western states campaigns at times revolved about banking questions and would involve the institution despite itself. Every officer and employee of the Bank of the United States must have been on one side during the struggle between the new and the old court parties in Kentucky, and such occurrences would lead to the conviction that the bank spent money for the purpose of controlling elections which were vital to its interests. It is also certain that a board of directors composed of intelligent business men would contain few members of the Jackson Democracy—a condition which would incur suspicion of political favoritism.[1] As the bank's loans would be made mostly to the same class as that from which the directors were selected, a charge of discriminating against Democrats would inevitably arise.

Consequently assertions of corruption at the branches were frequently made. As early as 1825 it was insinuated that the president of the Washington branch, though recognized as incompetent, had retained possession of his office because of his influence with the Monroe administration.[2] In regard to Kentucky frequent charges of unjustifiable political activity were made.[3] Blair asserts of his own knowledge

[1] "And the only reason why more Jackson men have not been recommended, is, that it so happens that a large majority of the most respectable merchants belong to the other party."—Shippen, cashier of Louisville branch, to Biddle, Jan. 26, 1829, *S. D.* 17, 23d Cong., 2d Sess., p. 303.

[2] "Mr. Swann has been heard, as I was credibly informed, to drop hints and threats, of its being in his power to turn the whole weight and influence of the executive against Mr. Biddle so as to endanger his re-election as president of the mother bank. One thing is notorious here, that the executive influence, in all its ramifications, was decidedly exerted to uphold the election of Mr. Swann; I refer here to the late administration."—R. C. Weightman to the stockholders of the Bank of the United States, July 26, 1825, p. 9.

[3] "Dear Sir—In the summer of 1828, I was informed by Mr. ——, of Frankfort, that on the Sunday preceding the election in 1825, it was determined by two directors of the United States branch bank at Louisville, where he then resided, to appropriate $250 of a certain contingent fund, or secret service money, belonging to the bank, of which fund they had the control, to aid the party called the old court party, in carrying the elections in Jefferson county. Mr. —— further stated that $100 of the money was put into the hands of himself and another gentleman on that day, that they went to Shippingsport and opened grog shops with it, and hired hacks to carry up voters; that the balance was put into the hands of others for like purposes,

that "bank men" employed bribes to influence the elections,[1] though the phrase "bank men" is scarcely sufficient to include officers of the bank. Like assertions were made in reference to Louisiana.[2] From South Carolina reports came of officials of the branch engaging actively in politics.[3] Hill, of New Hampshire, declared in the Senate that the Portsmouth office "was made a party engine" in 1828, and that "it was the principal instrument" in carrying the state for Adams;[4] while Clayton, of Georgia, asserted that the president of the Norfolk branch had engaged most offensively in politics, publicly declaring that he was "opposed to General Jackson," and becoming involved in fisticuffs as a result.[5]

These are the specific charges of political action which admit of examination. The charge against the president of the Washington office is of no moment. He did indeed exert his supposed influence with the administration to secure his election to the local board, and was severely

in Louisville; that they did employ with that money all the hacks in the place, and to use his own expression, 'did a main business on Sunday.'

"Not being authorized to use this information on Mr. ——'s authority, I requested Mr. Gilly Cuddy to prove it, if possible, through other channels, and these are facts to which he alludes.

"Very respectfully,

"AMOS KENDALL."

—Letter furnished by Amos Kendall, Nov. 23, 1829, NILES Vol. XLII, p. 315, note.

1 "We have known rifle guns, horses, and pieces of furniture, presented by Bank men to certain active and zealous neighborhood talkers, opposed to the Bank."—*Extra Globe*, Vol. I, p. 177, Sept. 8, 1834.

2 Ingham, NILES, Vol. XLII, p 315, and *B. P.*

3 "I have recently received a pamphlet, ... which contains the following passages: . . . . *the president of the bank of the United States, was not less active, and the head which presides over this great Federal institution, was seen superintending with an anxious scrutiny, the polls at the election.*"—Biddle to Joseph Johnson, president of Charleston branch, Sept 27, 1830, *S. D.* 17, 23d Cong., 2d Sess., p. 308.

4 June 8, 1832, *C. D.*, Vol. VIII, Part I, p. 1062.

5 "The president of the Norfolk branch did in person attend the polls, at an election for the member of Congress, challenged the voters as they came up to the clerk's table, some he changed, and, when reproached for his conduct, he stated that he was indifferent as to the candidates individually, but he stood there opposed to General Jackson. This course of conduct produced great excitement, which terminated in a fight between the president of the bank and the person who reproached him, immediately in the presence of the managers."—*Ibid.*, Part II, p. 1994.

censured for doing so by the president of the bank.[1] In the New Hampshire case no political acts were adduced, and the only circumstances which gave color to the assertions were that the president there was an old-time Federalist and a friend of Webster. The New Orleans charges were admitted by President Jackson to be baseless;[2] those in regard to South Carolina were of a different character. It was asserted that the president there, who was an active politician, had been seen "superintending . . . . the polls at the elections"—which might well be without involving the branch. Unfortunately, this officer insisted on taking an active part in the heated campaign over nullification—opposing that heresy with all his power. Biddle wrote him a letter requesting that he refrain from such action, as it was calculated to injure the bank, and added, "no principle is more fundamental than its total abstinence from politics."[3] Johnson's subsequent activity, however, occasioned complaint on the part of Vice-President Calhoun and Senator Hayne.[4] The charge against the Norfolk officer is of the same character. He was at the polls and opposed to General Jackson, but how this involved the bank it is difficult to see. In regard to the charges against the Kentucky branches, Jackson expressed himself as satisfied that they were without foundation as far as the parent board was concerned.[5] The directors there denied them; while Biddle urged the officers to exercise care in avoiding all cause for such complaints.[6]

1 Biddle to Swann, March 17, 1824, *S. D.* 17, 23d Cong., 2d Sess., p. 297.

2 See p. 188.

3 Sept. 27, 1830, *S. D.* 17, 23d Cong., 2d Sess., p. 308. See also NILES, Vol. XLI, p. 478.

4 Mr. Calhoun said that "the course taken by the Branch at Charleston may have soured him [Hayne]. I asked what it had done? He said that it had taken an active part in their State politicks, that I ought to apprize you of it,—that you might correct, and I think he said, remove those who had been intermeddling."—S. Smith to Biddle, Jan. 27, 1831, *B. P.*

5 See p. 187.

6 Biddle to the cashier of the Louisville branch, Feb. 12, 1829, *S. D.* 17, 23d Cong., 2d Sess., p. 304.

The actual status of Biddle's policy never showed better than in 1831, when the charges against the Kentucky offices were renewed. Writing to him in April, the cashier of the Lexington office urges loans to help the anti-Jackson candidate, because funds were needed "to win for our men." The president of the branch thought they ought to be furnished, and "so does Mr. Clay. The coming election of Congressmen is all important in its bearing on the Presidential election."[1] To this Biddle instantly and decisively replied: "I believe it to be a fundamental principle in the administration of the Bank that its officers should abstain from any connexion with what are called politics, to abstain not in appearance merely, but entirely, candidly and honestly."[2] Thus at the moment that Blair was charging political corruption in Kentucky, Biddle refused assistance which even Henry Clay thought should be granted. Similarly in 1832, after the veto, Biddle declared that the bank would take no active part in the campaign, such action being contrary to its principles.[3] To this resolution he adhered.

Unquestionably the bank lobbied in its own interests. It did this in the New York legislature in February and March, 1831, to hinder the adoption of resolutions hostile to it.[4] At the same time it strove to get through the Pennsylvania legislature a resolution in its favor, C. J. Ingersoll acting as its champion. Again, during the struggle for re-charter, Horace Binney acted as its manager at Washington, while in 1834 the bank used its influence with its friends to elect John Sergeant senator from Pennsylvania.

[1] J. Harper to Biddle, April 22, 1831, *B. P.*

[2] Biddle to James Harper, of Lexington, Ky., May 10, 1831, *P. L. B.*, Vol. III, p. 524.

[3] "But political concerns must be left to those who are at liberty to pursue their own views. I am chained and must obey the laws of my station."—To William G. Buckner, of New York, July 17, 1832, *ibid.*, Vol. IV, p. 261. Also same to same, July 13, 1832, *ibid.*, p. 260; to J. W. Webb, July 17, *ibid.*, p. 261.

[4] S. E. Burrows to Biddle, New York, Feb. 17, 1831, *B. P.*

The attempt failed, but prevented Richard Rush's election.[1] In all these cases, however, there is no reason to suspect the use of corrupt means; while the suspicion that it used such means to secure re-charter in 1832 is absolutely baseless so far as all the known evidence goes.[2]

What the bank did not do directly, it was frequently charged with doing indirectly. Its enemies declared, with emphatic repetition, that it secured the favor of congressmen and politicians by granting them unusual accommodations on insufficient security and extending to them favors not granted to other individuals. It must be admitted that the bank was accustomed to give drafts for the salaries of congressmen, payable at points distant from Washington, without charging exchange. Biddle said he knew of no such cases, but if they occurred they were defensible on the ground that congressmen had a right to their pay wherever "the Treasury chooses to give it to them."[3] This answer could hardly be considered satisfatory, and the assertion was frequently made that not only did congressmen receive their pay wherever they chose to demand it, thus getting the benefit of the exchange, but that in other instances they were accommodated without being charged exchange.[4] Such a practice was certainly open to the objection of being in the nature of granting favors to those from

[1] Rush had "provocation from the bank party, who defeated his election to the Senate of the United States by the Legislature of Pennsylvania last winter."—ADAMS, *Memoirs*, Vol. IX, p. 40.

[2] If there had been any evidence, some trace of it might be expected among the Biddle papers, for Nicholas Biddle saved absolutely everything written, quite regardless of its bearing upon his future fame. But there is positively no trace of such attempts to be found there.

[3] *H. R.* 460, 22d Cong., 1st Sess., p. 532.

[4] "Were not draughts formerly furnished to Members of Congress without any charge for premium, by the United States Branch Bank in this city, in *exchange for money paid into Bank*, as well as for their lawful pay?

"To this the *Intelligencer* made no reply. It was founded on a knowledge that *such was the fact.* Drafts were furnished to members of Congress without charge, whether for their pay or not, on every part of the Union, while private citizens were charged from ½ to 1 per cent."—*Extra Globe*, Vol. I, p. 143, Aug. 23, 1834.

whom favors were to be expected. The same condemnation must fall upon the practice of paying congressmen and government officials before their salaries became due by the passage of the general appropriations act. Adams, a warm champion of the bank, showed that in a single session the amount thus advanced was almost $400,000, "which was equivalent to a loan without interest," and that the amount of interest thus lost to the bank was over $3,000. He was "not without doubts of the propriety of this indulgence."[1]

That congressmen were not to borrow money, or that the bank was not to lend them money, could hardly be argued, since this would be an unwarrantable discrimination against congressmen as congressmen. That the officers of the bank were willing to make loans on easy terms to congressmen is likely, and is illustrated in the case of General Stevens, to whom Biddle granted a loan on his own authority, although he was a stranger, and although the president did not know that the drawers of the notes were of good credit.[2] In June, 1829, Biddle justified a loan to Congressman Verplanck, against the objections of Robert Lenox, partly on the ground that it was expedient for the institution to stand well with those who held its future existence in their hands, especially as he believed that "the loan was perfectly safe."[3] In 1831 he permitted John Forsyth to borrow a large sum at a long date on the security of a mortgage, though such loans were against the declared policy of the bank.[4] A similar accom-

[1] *H. R.* 460, 22d Cong., 1st Sess., pp. 392, 567.

[2] Testimony of Biddle and Cowperthwaite, *ibid.*, p. 190.

[3] "In the case you mention for instance I think it was well to lend to Mr. Verplanck the money because the loan was perfectly safe, no matter for what use he meant to apply it. After all you know the existence of this institution must depend on the opinion entertained of it by those who will before long be asked to continue its Charter and altho I would sacrifice nothing of right or of duty to please them or to please anybody, still if a proper occasion presents itself of rendering service to the interior proving the usefulness of the Bank, so as [to] convert enemies into friends, we owe it to ourselves and to the stockholders not to omit that occasion."—Biddle to Robert Lenox, June 4, 1829, *P. L. B.*, Vol. III, p. 48.

[4] To J. Forsyth, May 9, 1831, *ibid.*, p. 520. Same to same, June 28, 1831, *ibid.*, Vol. IV, p. 3.

modation was granted to George McDuffie in 1833, for $100,000, the agreement being to loan on mortgage and to renew the note indefinitely.[1] David Crockett's bill was about to be protested, and was renewed by Biddle personally to protect Crockett,[2] and the same favor was accorded Joseph Vance.[3] In 1826 the board released Senator Samuel Smith from his debt consequent upon the Baltimore frauds of 1817–19.[4] Asbury Dickins, first clerk in the treasury and a valuable friend, was released in 1830, the bank saving about half the debt.[5] Colonel R. M. Johnson and his brother were treated with like kindness in 1824.[6] All these were favors to men who might be politically useful. Moreover, during the years when the bank was attempting to secure a new lease of life, the loans to congressmen were large, and much beyond what had been customary at earlier periods.[7]

It must be remembered, however, that all the loans of the bank were much more extensive than usual at this time, and hence those of congressmen might fairly be expected to be so. Similarly, in settling the debts due when the debtor could not pay, congressmen were not the sole recipients of such favor, but shared it with hundreds of others. Therefore no

[1] Biddle said the loan "might be renewed till the parties were prepared to pay. . . . . The renewals might be arranged in practice with less inconvenience than might at first be supposed, by leaving the bills, or any authority to sign them with the Cashier."—Biddle to McDuffie, Aug. 29, 1833, *P. L. B.*, Vol. V, pp. 2, 3.

[2] Biddle to Poindexter, Dec. 13, 1834, *ibid.*, p. 289.

[3] Biddle to Joseph Vance, Dec. 17, 1834, *ibid.*, p. 292.

[4] Biddle to John Donnell, of Baltimore, Sept. 21, 1826, *ibid.*, Vol. II, p. 187.

[5] On Dickins's loan see R. Smith to Biddle, Sept. 22, 1828, *B. P.*

[6] Biddle to J. Harper, of Lexington, Ky., June 9, 1824, *P. L. B.*, Vol. I, p. 16

[7] Loans made to members of Congress:

Years	Amounts	Number of Members
1826	$237,436	32
1827	221,026	25
1828	218,830	38
1829	212,346	34
1830	192,161	52
1831	322,199	59
1832	478,069	44
1833	374,766	58
1834	238,586	52

—*S. D.* 17, 23d Cong., 2d Sess., pp. 320, 321.

censure is implied where the favor was not unduly granted, and the evidence of the president's letter books is conclusive that in all the cases named full payment could not be made. Smith's debts had been contracted in 1817–19 through the criminality of his mercantile partner, and he could not discharge them; Johnson's indebtedness had been incurred at the same time and he was entirely bankrupt; while Dickins's debt had been contracted with the Bank of Columbia, and he was never in a situation to pay it.

On the other hand, in the matter of granting unusual loans to congressmen, the bank seems to have laid itself fairly open to censure. Yet much of this must be mitigated if the loans were safe. Tyler's committee in 1834 reported on this head that of loans made by the Philadelphia office to individuals then in Congress only $400 had been carried to the account of "suspended debt" and one note for $500 protested. These it considered debts which would ultimately be paid. Some cases existed at the branches, but all these loans seem to have been made "upon as good security" as was customary in other cases.[1]

Other charges of indirect bribery were those of paying excessive fees to lawyers and making donations of the bank's money for political effect. Nothing of the kind was discovered. The fees to lawyers were not excessive.[2] No cases of bribes by donations were known by the committee of 1834,[3] and the subject was carefully investigated by the committee of 1832 with results favorable to the bank, the whole amount of donations from 1817 to 1831 aggregating $4,620.[4] The contributions were insignificant and were made for the most part to fire companies, or to turnpikes, with the object of increasing the value of real estate held by the bank or of protecting its property.

[1] *S. D.* 17, 23d Cong., 2d Sess., p. 41.
[2] *Ibid.*, p. 42.
[3] *Ibid.*, p. 39.
[4] *H. R.* 460, 22d Cong., 1st Sess., pp. 74, 75,

The most effective of all the indictments against the bank was that it "subsidized the press." This was a vague phrase, but it was pretty clearly understood by everybody and meant that the bank bribed printers and publishers by granting them accommodations on easy terms, with the expectation of receiving their assistance in return. Of course, editors occasionally needed bank accommodations, yet, as professed molders of public opinion, they were first to take sides either for or against the bank when the subject of re-charter came up. In this situation, a loan to an editor favorable to re-charter would be called a subsidy, a loan to an editor opposed a bribe. The most prominent editors to secure large loans were Duff Green, of the Washington *Telegraph*, Webb and Noah, of the New York *Courier and Enquirer*, Gales and Seaton, of the *Intelligencer*, Robert Walsh, of the *National Gazette* and the *American Quarterly Review*, Thomas Ritchie, of the Richmond *Enquirer*, Jesper Harding, of the Pennsylvania *Enquirer*, and F. P. Blair, of the *Globe*, though before he established that paper.[1] All were prominent and able editors, some favorable to the bank, some opposed. Suspicion was also aroused by the conversion to the bank's cause of several editors who had been unfriendly. Duff Green ceased to oppose; while Webb and Noah became active supporters instead of bitter opponents.

Numerous cases of attempts to buy up editors were also alleged. Parton intimated that such an attempt was made on Blair.[2] Blair himself makes charges of this character in reference to the New York *Evening Post* and the New York *Standard*,[3] and presents the affidavit of a country editor

[1] Harding, $36,916.71; Walsh, $11,541.72; Green, $20,000; Ritchie, $10,900; Gales and Seaton, $44,695. All made in 1831 and 1832.—*H. R.* 460, 22d Cong., 1st Sess., pp. 108-10. For Blair's case see p. 171, note 1.

[2] "A known friend of the bank" offered to make Blair a loan of $200, says Parton.—PARTON, Vol. III, p. 338. When it is recollected that Blair had borrowed from the bank and failed to pay, the story loses its verisimilitude.

[3] "Silas E. Burrows offered valuable pecuniary considerations . . . . if they would espouse the cause of the Bank."—*Extra Globe*, Vol. I, p. 125, Aug. 15, 1834.

declaring that "a supporter of the Whig, or Bank candidate" offered him $100 and banking facilities at the Bank of the United States if he would use his influence for the Whig candidate. It is apparent that all this evidence is of the flimsiest, and does not establish in a single instance any connection of the bank with the alleged attempts. In one case "a known friend of the bank" offers a loan, in another "Silas E. Burrows" promises "valuable pecuniary considerations," and in the third it is "a supporter of the Whig" candidate. That there were editors who were not averse to receiving favors scarcely needs to be said. James Gordon Bennett, who always displayed in public the most rancorous antipathy for the bank, nevertheless kept up a friendly correspondence with its president, gave good advice, and on one occasion defined his position thus: "Of course I am opposed to the Bank and must be so — but I suppose you understand that."[1] Three weeks later he hints that he needs money and would like to hear from Biddle.[2] The bank had nothing for him, however.

Biddle's own attitude in relation to "subsidizing" the press has been incidently left on record by himself, and does honor to his integrity. In 1828 Webster urged upon him the expediency of granting loans to Gales and Seaton in order to sustain their newspaper, which might be useful to the bank. To this Biddle responded warmly that he could not and would not proceed on any such principles:

The value of his paper and the advantage of its continuance are considerations entirely foreign to us — and the very circumstance that but for the Bank of the United States any newspaper would be discontinued, or that the Bank had gone out of its way in order to sustain any newspaper either in administration or in opposition would be a subject of reproach and what alone makes reproach uncomfortable of just reproach.[3]

[1] Bennett to Biddle, New York, Nov. 9, 1832, *B. P.*

[2] Same to same, Dec. 1, 1832, *ibid.*

[3] Biddle to Webster, Dec. 2, 1828, *P. L. B.*, Vol. II, p. 448.

As this letter was never intended for the public eye, it is the best possible testimony to Biddle's integrity at the time it was written. And yet it was the untoward fate of the man who wrote it, and who in so doing denied accommodations to old and trusted friends at a critical moment in their fortunes and risked offending an intimate and powerful advocate, to be generally regarded as a wholesale briber of editors and publishers.

Of all the loans to editors, those to Webb and Noah, of the New York *Courier and Enquirer*, gained the widest notoriety and created the most intense feeling. This journal had been pronouncedly anti-bank from November, 1829, to April, 1831. It then changed its attitude and advocated a new charter with modifications, though still professing to support Jackson.

James Gordon Bennett, in his *Memoirs*, declares that the paper was financially embarrassed in 1831, and that Noah, seeing "the breeches pocket of Mr. Biddle open, entered it immediately."[1] It is not necessary to credit Bennett with extraordinary veracity, but he was probably not far wrong. Certain it is that in the spring of 1831 the proprietors of the paper needed more funds, and one of them decided to sell out. At this juncture M. M. Noah, who was desirous of buying up the retiring proprietor's shares, met with Silas E. Burrows, and Burrows, Webb, and Noah planned to raise the necessary means, and "to change the tone of the *Courier and Enquirer*"—in other words, to bring it out in support of the bank. Burrows was the pivot upon which all the succeeding events turned. He was a vain, loquacious, intruding, scheming merchant, who wished to be regarded as one who bore upon his shoulders the burden of empires. His letters to Biddle are still extant, and are filled with hints of mysterious secrets; chatter of grandiose plans; fulsome laudation

[1] *Memoirs of a Journalist*, p. 150.

at one moment and causeless reproaches at the next; abject petitions for loans to be used in airy ventures; denunciations of the officials of the New York branch; tales of intimacies with presidents and ex-presidents; boasts of imaginary influence over the course of politics; and again with exclamations of fear and violent assertions that he is a persecuted and hunted man. They portray only too clearly an individual possessed of an incurably weak head.

When the trio began operations for securing complete possession of the *Courier and Enquirer*, Webb mentioned to Burrows that he "was prepared to advocate a modified recharter of the bank." Burrows urged him to come out for an "unconditional recharter,"[1] and promised Noah that he would raise the funds for the purchase of the half interest in the *Courier and Enquirer* by securing a loan from his father.[2] This proposition was accepted, and Burrows hurried off to Philadelphia to see Biddle, with the object of securing the money there instead of from his father. He told Biddle that he wanted $15,000 for Noah to purchase "a share in a newspaper," and offered the notes of Noah, indorsed by Webb, as security. The Exchange Committee of the bank authorized the loan at one year and eighteen months. Biddle then furnished Burrows with the money out of his own pocket, without even seeing the notes to secure the sum, and consenting that Burrows should not indorse them, thus leaving the responsibility of payment with Noah and Webb.[3] The truth is that Burrows did not then have the notes, for he took the $15,000 to New York, told Noah that he had secured a loan from his father, gave Noah his father's notes instead of the money, took Noah's notes,[4] and then sent them to Biddle, who held them in his own possession for over nine

[1] Examination of J. W. Webb, *H. R.* 460, 22d Cong., 1st Sess., p. 81.
[2] Noah's affidavit, April 8, 1832, *ibid.*, p. 95.
[3] Biddle's testimony, *ibid.*, pp. 85, 86.
[4] Noah's affidavit, *ibid.*, p. 95; Webb's testimony, *ibid.*, p. 82.

months instead of placing them in the possession of the bank.[1] Here, then, was a large loan made without the receipt of any security at the time on the notes of one partner indorsed by the other — an act in contravention of the rules of the bank; not indorsed by the borrower; and for a long period.

In January, 1832, Biddle at last decided to transfer the account to the books, and then the notes, instead of being for one year and for eighteen months, were transformed into paper to be paid at intervals of six months until October, 1836; that is, for from six months to almost five years.[2] In February the investigation of the bank was discussed in Congress, and on the 2d of March Burrows took up the notes, securing a loan at the bank for the purpose,[3] so that the loan made to Webb and Noah was paid by making a new one to Burrows.

The precise relations existing between Biddle and Burrows cannot be determined. In the spring of 1831 Burrows had persuaded Biddle that he was a person of vast though undefined influence in New York politics, and as at that moment the legislature of New York was discussing a resolution denunciatory of the bank, Burrows went to Albany to attempt to prevent the action. It was then that the agreement was made with Webb and Noah. As Burrows could not keep silent, the matter was at once bruited in the public press, whereupon Biddle wrote, asking Burrows to send him a letter saying that he had never "received any authority . . . . from any one connected with the Bank to influence by pecuniary or other means the course of any newspaper in New York or elsewhere."[4] Burrows did not furnish this cer-

[1] Biddle's testimony, *H. R.* 460, 22d Cong., 1st Sess., p. 86.

[2] *Ibid.*, p. 553.

[3] Biddle's testimony, *ibid.*, p. 87.

[4] "And it occurs to me that it would be well if you were to write to me stating the fact, that altho' you are yourself indifferent to the allegations of this writer, yet, lest your silence might be construed into an acquiescence in his statements, you

tificate of good character; but, on the contrary, denominated himself "your agent, confidential agent,"[1] and later, in a letter of passionate, childish, and desperate reproach, angrily asserted that he was refused accommodations "whilst the Bank has stifled the press here by rewards of fortunes," and transmitted a bill for services which shows that Biddle had paid him $16,000 and still owed him $1,100.[2] One week later he forwarded another long letter of reproaches, and hinted that he held secrets which would bring a fortune to himself and ruin to the bank;[3] in March, 1832, on the other hand, he wrote Biddle: "All discounts made at your bank to me, have been for my accommodation, and individual benefit. Beyond this is unknown to you, and is left for me to explain."[4] He would not appear before the congressional investigating committee, however, and "hopes to God" he will not be called on, and then exclaims: "The moment I knew you had made an entry of those documents, that moment I knew a fortune was at my disposal if I would accept of it, and made without censure by the world, as they would justify me for testifying to all."[5]

It is difficult to assert anything with confidence in the face of such declarations from a man of this character. Burrows may really have thought that Biddle had agreed with him to bribe the New York press; the sums which Biddle

think it right to say that you have never received any authority or any request from any one connected with the Bank to influence by pecuniary or other means the course of any newspaper in New York or elsewhere."—Biddle to Burrows, April 14, 1831, *B. P.*

1 Burrows to Biddle, May 25, 1831, *ibid.*

2 The United States Bank to S. E. Burrows

To cash expended by the directions of the President at various times - - - - - - - - -	$17,100
Cr by Cash received of the President - - - -	16,000
Due S. E. Burrows Esq. - - - - - -	1,100

—Same to same, New York, Nov. 25, 1831, *ibid.*

3 Same to same, Dec. 2, 1831, *ibid.*

4 Same to same, New York, March 19, 1832, *ibid.*

5 Same to same, March 26, 1832, *ibid.*

had intrusted to his keeping show that he was actually acting for the bank in some capacity; his remarks about the money loaned to him prove that Biddle did not know what he had done with it, and the testimony of Noah and Webb shows that he did not transfer it to them. Biddle's friends evidently regarded Burrows as a bad character, for Bevan writes of him as "a troublesome and unprincipled man,"[1] and later as "a very dangerous man, and one in whom no confidence can be placed," at the same time expressing a wish that arrangements "could be speedily made to get W. and N.'s paper out of his possession."[2]

Webb and Noah were accommodated with other loans. In August, 1831, they received $20,000, payable 10 per cent. every six months. They declared that they could not secure loans from the New York banks because they had supported the bank.[3] On this occasion Noah said that their paper would, if it took part in the agitation for re-charter, "go as far in favor of the bank" as it had done in April.[4] In December the partners were back once more, this time for $15,000, claiming that the bank was morally bound to support them, because their course had cut them off from assistance from the New York banks.[5] The loan was granted by the Exchange Committee, though at the time the board was refusing to lend small sums to good customers in Philadelphia.[6] In both cases the notes were drawn by one partner and indorsed by the other.[7]

Nor was this the end. In July, 1832, after the veto, Biddle twice brusquely refused further accommodations to

[1] To Biddle, July 18, 1832, *B. P.*

[2] M. L. Bevan to Biddle, July 20, 1833, private, *ibid.*

[3] Webb's testimony, *H. R.* 460, 22d Cong., 1st Sess., p. 76; and Webb, Aug. 8, 1831, *ibid.*, p. 98.

[4] M. M. Noah to W. Bowne, Aug. 5, 1831, *ibid.*, p. 97. See Webb's share in securing the loan, A. L. Stewart to J. W. Webb, Aug. 5, 1831, *ibid.*

[5] J. W. Webb to Biddle, Dec. 16, *ibid.*, p. 101.

[6] *Ibid.*, p. 107, Exhibit A.

[7] *Ibid.*, p. 550.

Webb, whereupon that gentleman threatened that unless something was done for him the paper would support Jackson.[1] Biddle then consented to see if the loan could not be raised by one of his friends,[2] for which kindness he received the thanks of Webb.[3] Whether anything was done or not is unknown, but Noah retired from the *Courier and Enquirer*. Webb removed the names of Jackson and Van Buren from the head of the editorial columns of the paper and came out in a long article for Clay, Sergeant, and the bank.[4] Let it be added that Webb's notes for $18,600 went to protest in February, 1833,[5] and that in 1835 he offered to settle for ten cents on the dollar.[6] It does appear as if Biddle had become sadly involved with the *Courier and Enquirer* and could not extricate himself. The loans granted to the editors of this paper would assuredly not have been made to others unless similarly situated.

It is easy to conjecture the arguments which appealed to Biddle in this matter. He had openly announced his belief in the policy of disseminating knowledge of the bank through the press, and of the justice of paying for such publications. In this policy he was supported by men of the most irreproachable character,[7] and it may be added that

[1] "If you think proper to act in the meantime upon the paper I handed you, do so, if not the *paper* will then support the measures of the President, but *I* will never again write a paragraph in his favour."—Webb to Biddle, no date, private and confidential, *ibid.*

"If you and your friends do not enable me to take the stand called for by every consideration of justice and principle, I will turn the political part of the paper over to Noah!"—Same to same, July 13, 1832, *ibid.* A similar letter was written July 16.

[2] He sent the proposition to R. L. Colt, of Baltimore.—To Webb, Aug. 3 and Aug. 4, 1832, *P. L. B.*, Vol. IV, pp. 278, 279.

[3] Webb to Biddle, Aug. 5, 1832, *B. P.*

[4] PARTON, Vol. III, pp. 428, 429.

[5] *S. D.* 17, 23d Cong., 2d Sess., pp. 40 and 314.

[6] To Biddle, Jan. 4, 1835, *B. P.*

[7] Calhoun said: "But I must say, in defence of the bank, that, assailed as it was by the Executive, it would have been unfaithful to its trust, both to the stockholders and to the public, had it not resorted to every proper means in its power to defend its conduct, and, among others, the free circulation of able and judicious publications."—Jan. 13, 1834, *C. D.*, Vol. X, Part I, pp. 212, 213.

The publications were to be "explanatory of the operations and conduct of the bank. Confined to that object exclusively."—Biddle to John Tilford, Sept. 26, 1832, *S. D.* 17, 23d Cong., 2d Sess., p. 322.

after the beginning of the campaign of shameless slander and calumny inaugurated by Blair, he was certainly not without justification, and would have been more than an ordinary mortal had he done otherwise than he did. But it was only one step from this legitimate policy to that of making loans as a sort of payment for publications, and perhaps this subtle logic appealed to Biddle. He might regard such loans, even if it could be pointed out that they were not justified by business considerations, as justified by the resolution of the bank to pay for publications. If he had been willing to pay the *Courier and Enquirer* several hundred dollars for the publication of a few columns in a single issue, what possible objection could there be to a loan of $52,000 which would secure every issue of the paper for the bank's cause? As a matter of economy the second method might even be preferable to the first, since there was a chance of securing the repayment of the capital with interest, besides having the support of the paper.

Payments made to printers by the bank for publishing documents, articles, and speeches favorable to re-charter were open to the criticism of being political; outside the province of a bank; made out of the money of the stockholders, the largest of whom was the government of the United States itself; and, finally, virtual bribes to the fortunate printers and editors who received the jobs. While the directors felt justified in making these expenditures, yet all these objections were valid, even supposing that the prices paid for the work done were not excessive. Everyone knows that the securing of printing which yields a fair profit is a matter of much moment with publishers, and that those who furnish such business are naturally treated as patrons. In reference to compensation, the Senate committee of 1834 declared that the bank had given no gratuities to printers or publishers, and left it to the Senate to judge whether or

not the institution had allowed them "extra compensation."[1] The evidence proves that the rate of payment was moderate.[2]

Another objection to the expenditure was that the president of the bank was permitted to dispose of the funds at his own discretion. Jackson bitterly complained of this in his paper of September 18, 1833, declaring on the authority of the government directors that the sums spent by the bank for printing "during the years 1831 and 1832 were about $80,000."[3] The directors, said Jackson, put "the funds of the bank at the disposition of the president for the purpose of employing the whole press of the country in the service of the bank, to hire writers and newspapers, and to pay out such sums as he pleases to what person and for what services he pleases without the responsibility of rendering any specific account."[4] The criticism was just. The expenditures for extra printing from 1829 to 1834, inclusive, aggregated $65,103.25, and to these were added expenditures by President Biddle, without vouchers, and without designation of the purposes for which they were made. The total of these was $29,605.[5] In whatever light the first of these items may be viewed, the second was totally indefensible. The Senate committee of 1834, though favorable to the bank, condemned the practice and virtually censured the directors for allowing the president to exercise such powers under the resolution of March 11, 1831.[6]

It is to Biddle's credit that he never made any mystery of his policy in regard to paying for publications in the

[1] *S. D.* 17, 23d Cong., 2d Sess., p. 39. [2] *Ibid.*, pp. 322–9.

[3] *Messages and Papers of the Presidents*, Vol. III, p. 14. [4] *Ibid.*, p. 15.

[5] *S. D.* 17, 23d Cong., 2d Sess., p. 329. See for the bank's statement *Report of the Committee of Directors* in 1833, p. 40. They admit the expenditure of $58,265.04 in four years.

[6] Referring to the resolution they say: "But expenditures have grown up under it, resting on the orders of the president, without vouchers or defined purpose." They hold that "*the object* of expenditure" should be "set forth."—*Ibid.*, p. 46.

newspapers, and willingly gave his reasons for it. He believed that most of the opposition to the bank was due to ignorance, and that explanatory articles would dispel this ignorance and so put an end to the opposition. Thoroughly convinced that this was true, he continued publishing.[1] He was assuredly mistaken. Ingersoll in 1831 gave it as his opinion that not three members of the Pennsylvania legislature had ever "read or will ever read McDuffie's report, Gallatin's article or the views in the North American and the National Gazette;"[2] while in 1834 Mathew Carey declared that the system of issuing pamphlets dealing with abstruse banking questions at great length was utterly mistaken, that nobody would read them, or, if anybody did, that he would not understand them.[3] This judgment seems sound, as anyone will agree who has read the pamphlets.

The amount of published matter paid for by the bank was very great. It began in April, 1830, with Senator Smith's report, and continued for about five years. The bank not only published articles itself, but distributed those of others, and paid newspapers to publish reports. As a consequence, everyone who wrote on banking subjects wanted the bank to pay for his publication. In one case, at least, a pamphlet was published without the privity of the bank, and then recompense was demanded. Newspapers, of course, would not print articles supporting the bank without

[1] "On this whole theory of publication, my theory is very simple. I believe that nine tenths of the errors of men arise from their ignorance—and that the great security of all our institutions is in the power, the irresistible power, of truth. I recollect well when twenty years ago I opposed in the Legislature of my state the measures taken to prostrate the former Bank, how much of the opposition to the Bank was the result of downright ignorance of its meaning and its operations— . . . . I know what was then wanting—and I am resolved that it shall not now be wanting. I saw the manner in which the small demagogues of that day deceived the community—and I mean to try to prevent the small demagogues of this day from repeating the same delusion."—To Joseph Gales, of Washington, March 2, 1831, *P. L. B.*, Vol. III, p. 482.

[2] Ingersoll to Biddle, March 3, 1831, *B. P.*

[3] M. Carey to the directors of the Bank of the United States, Philadelphia, March 28, 1834, *ibid.*

compensation. A congressman rarely made a friendly speech without expecting its dissemination at the expense of the bank. The most amusing case is that of John Tyler. Tyler was chairman of the Senate investigating committee of 1834, and, voicing the austere public morality characteristic of Virginia Republicanism since the days of Jefferson, criticised the bank for disseminating pamphlets and congressional reports.[1] "Our friend," wrote Webster, "seemed to reserve all his censure for these heads."[2] Biddle, therefore, felt quite safe in asking Tyler if he wished his report disseminated. The surprise and disgust of the bank's president may easily be guessed when he discovered that Tyler did wish it to the extent of a thousand copies.[3] Whatever credit is due Tyler for his political morality, a sense of humor was evidently not his prominent characteristics.

That the matter of printing was carried entirely too far will easily be gathered from what has been said, and even the bank's most eager partisans were convinced that this was so. Watmough, who arranged for much of the printing, at last protested. He thought they should cut down the number of congressional speeches published, though he added, with bitter pleasantry, "It is a great assistance to Green, to be sure. He is at best however but a *mauvais sujet*, and scarcely worth what has already been done for him." The printers, in his opinion, were "pretty much all alike — let them handle the money, *au diable*, the rest."[4]

The charge of jobbing in public stocks touched the honor of the president and corporation, and, if proved, established a violation of the law; for the charter declared that the cor-

[1] *S. D.* 17, 23d Cong., 2d Sess., p. 45.

[2] To Biddle, Dec. 17, 1834, *B. P.*

[3] Tyler "after blaming the Bank for circulating documents in its defence instead of leaving to its enemies the task of vindicating it, ends by making the Bank incur an expense in publication which it did not desire and takes a thousand copies of these very 'unpolitic' publications, such being the phrase I believe in his report."—Biddle to Watmough, Feb. 9, 1835, *P. L. B.*, Vol. V, pp. 318, 319.

[4] To Biddle, Washington, Feb. 7, 1834, *B. P.*

poration should not "purchase any public debt whatsoever,"[1] or sell "more than $2,000,000 thereof in any one year."[2] The specific charge was that the bank jobbed in the 3 per cent. stock, and that in doing so it had interposed to prevent the payment of the national debt by urging the government's creditors not to present the certificates of the stock when the day of payment came.

The facts were as follows: On the 24th of March, 1832, Asbury Dickins, acting secretary of the treasury, informed Biddle that one-half of the 3 per cents., amounting to $6,500,000, would be paid off by the government on the 1st of July.[3] The bank would have to furnish the funds from the government deposits held. Unfortunately, the discharge of the debt in this year had been so enormous, and the bank's business so expanded, that it was impossible to raise the sum required by the date specified. Biddle, long before the notice from Dickins, had attempted to reduce the bank's business and so get possession of sufficient specie to meet the government's demands. He had failed in this attempt.[4] He accordingly looked about him for some other means of evading the threatened embarrassment, which would be fatal if it occurred in the midst of the campaign for a renewed charter. Hurrying to Washington, he requested as a temporary relief a postponement of the payment from July 1 to October 1, and offered, on behalf of the bank, to pay the interest on the stock for the three months. His request was granted on this condition.[5] Later the treasury concluded to discharge two-thirds of each certificate in October, and the remainder of the debt on January

[1] Sec. 11, 9th fundamental article. See Appendix I.

[2] Secs. 5 and 6. See Appendix I.

[3] "It is believed that the means of the Treasury will be sufficient to discharge one-half of the 3 per cents. on the 1st of July next, and it is proposed to give notice accordingly on the 1st of April."—*H. R.* 460, 22d Cong., 1st Sess., p. 531.

[4] See pp. 146-50.

[5] Testimony of Dickins, *H. R.* 121, 22d Cong., 2d Sess., pp. 89, 90.

1, 1833,[1] thus calling upon the bank for a sum of $13,000,000 within three months' time.

The bank's difficulties under these circumstances are vividly portrayed in the correspondence with the branches, and in a letter of Biddle's to Cadwalader, outlining his plan to secure the means of payment. Biddle thought that local discounts must be diminished wherever possible; that dealings in internal exchange should be materially reduced; that as much money as could be spared should be used to discount paper secured by a deposit of 3 per cent. stock and to purchase bills of foreign exchange; and that negotiations should be begun with the holders of the 3 per cents.[2] Cadwalader was doubtful as to the adequacy of this plan, and it was evident that the principal reliance must be in a negotiation with the holders of the stock, in which the bank would secure a loan by paying the interest on the stock in the place of the government, the holders accepting its responsibility and thus relieving the government from all liability. Any other form of loan at this time was hardly feasible, since no one wished to lend.

The board of directors had already authorized the president and the exchange committee to defer "a part of the payments."[3] Proceeding in accordance with this authority, the following plan was adopted: The certificates of foreign

[1] Secretary McLane to Biddle, July 19, 1832, *ibid.*, p. 166.

[2] "I would diminish wherever we can our local discounts; I would avoid as much as possible purchasing domestic bills any where except on the northern Atlantic frontier and those at very short dates, certainly within 90 days—and I would put every dollar we can spare in discounts on the 3s at 5 per cent. and the purchase of foreign exchange. To those we must [add] negociations with the large holders of threes, especially the agents of foreigners."—To Cadwalader, Washington, June 30, 1832, *P. L. B.*, Vol. IV, p. 255.

[3] "*Resolved*, That the subject of the communication just made by the President, be referred to the committee of exchange, with authority to make, on behalf of the bank, whatever arrangements with the holders of the three per cent stock of the United States may, in their opinion, best promote the convenience of the public and the interests of this institution."—Resolution of March 13, 1832, *Report of the Bank of the United States to the Committee of Ways and Means*, Jan. 28, 1833, p. 6. See also *H. R.* 121, 22d Cong., 2d Sess., p. 162.

holders of the stock were to be surrendered to the bank and by it passed over to the government as evidence of the payment of the debt. The bank itself, however, would not pay the principal, but borrow it from the original holders of the debt, continuing the loan for another year in place of the government and paying the interest during the continuance. The payment of $5,000,000 of the stock was thus to be deferred. To this plan there could not be the least possible objection, either legal or moral, since the government would be discharged of all obligation, the bank simply procuring a new loan to the extent of the $5,000,000 on its own responsibility. The operation would be the same as if it had paid the debt outright and then immediately borrowed it back from the original holders on its own account.

On the day that the directors authorized the postponement of the stock, Biddle opened negotiations with T. W. Ludlow, of New York,[1] but soon perceived that there was little chance of getting the transaction settled in time to be of service.[2] He therefore dispatched General Cadwalader to England to make arrangements with the Barings to defer the payment of $5,000,000 of the stock.[3] This mission succeeded. The Barings agreed to invite the foreign holders of the 3 per cents. to retain their stock until October, 1833, while the Bank of the United States was to continue the payment of the interest quarterly and to pay the principal at the date named. Since this would probably not suffice to defer $5,000,000, as much of the stock as possible was to be bought up by the Barings for the bank, at the best terms,

[1] The correspondence is given entire in *H. R.* 121, 22d Cong., 2d Sess., pp. 93 ff. Biddle and Ludlow had talked the matter over before this.

[2] "But I am afraid that it will not before [*i. e.*, before Oct. 1] be in my power to come to any definite arrangement with the bank on the subject."—Ludlow to Biddle, July 14, 1832, *ibid.*, p. 95; and same to same, July 21, 1832, *ibid.*, pp. 96, 97.

[3] Cadwalader had been notified between the 1st and 10th of the month that the mission was to be undertaken.—Cadwalader's testimony, *ibid.*, p. 50.

not over $91 on $100. The certificates were to remain with the Barings, or with the holders of them.[1]

It will be noticed that this arrangement differed considerably from the first plan of the bank, inasmuch as the Barings were authorized to buy stock for the bank, and also to withhold the certificates, which would leave the debt still unpaid. The bank would be culpable in both particulars, for it was prohibited by its charter from purchasing any public debt, and the arrangement for deferring the delivery of the certificates was an unjustifiable interference with the government's plan to discharge the debt. Cadwalader's agreement was, therefore, both morally wrong and illegal. But this would not necessarily involve the bank, for the vital question was: Had he authority to make such an agreement? In answer to this question Cadwalader distinctly averred that he alone was responsible, his instructions not having contemplated the purchase of the stock.[2] In support of his admission are the declarations of the directors that no such agreement was contemplated, and Biddle's disavowal of that part of it which was patently illegal on the ground that the institution was forbidden by its charter "to purchase any public debt whatsoever."[3] Unless there was an infinite amount of shabby lying, and that, too, under oath, the corporation was not guilty. The presumption that everybody lied will hardly be considered tenable.[4]

1 Circular of Aug. 22, 1832, *ibid.*, pp. 101, 102. An arrangement was also made with Hope & Co., of Amsterdam.—*Ibid.*, pp. 103, 104.

2 "The purchase of the stock by Messrs. Baring had not been adverted to in my instructions, or in any conversation with my constituents at home."—*Ibid.*, p. 52.

3 *Ibid.*, p. 117.

4 Suspicious circumstances were that Cadwalader had forwarded the substance of the agreement with the Barings, stating that they were to purchase for the bank Aug. 22 (*ibid.*, p. 99); that he had forwarded the agreement itself on the 25th (*ibid.*, p. 100); but Biddle had not disavowed the illegal clause until Oct. 15, after the agreement had appeared in a New York paper (*ibid.*, pp. 87, 117). Biddle always asserted, however, that he had not received the agreement until Oct. 12, and that he had straightway disavowed it. (To John Sergeant, Feb. 1, 1833, *P. L. B.*, Vol. IV, p. 407; also in all published examinations and reports on the affair.) Again, Cadwalader had had the agreement circulated in manuscript, instead of in print, in

The disavowal of Cadwalader's contract gave rise to new complications. Biddle insisted that the certificates of the stock must be sent to the United States in order that he might turn them over to the secretary of the treasury.[1] The Barings had already purchased $1,428,974.54 and got $2,376,481.45 postponed. They now concluded to buy the latter also if the owners would not consent to the bank's revised terms,[2] which were to the effect that new certificates should be given for the old ones surrendered, the bank to continue paying the interest.[3] Many of the foreign holders agreed to these terms, and the Barings secured their certificates and forwarded them to the United States.[4]

The affair made a great noise, and kept the bank's advocates busy explaining for many months. Biddle was particularly sensitive about the charge of violating the charter. That the bank should encourage the holders of the debt not to present the certificates for payment, he apparently considered of little importance and of no concern to anyone but the bank. Writing on the subject he revealed the depth and the keenness of his feeling:

> With regard to the return of the certificates the Government cannot oblige any body to present his certificate — the Government stops the interest — but cannot compel a stockholder to take his principal. . . . . But supposing that the certificates are delayed for a few months, what harm does that do to any body? The interest has stopped — the money remains in the Treasury; so that instead of

order that it might not become public (*H. R.* 121, 22d Cong., 2d Sess., p. 100). The bank ceased curtailments Sept. 21, which presumably it would not have done without knowing about the agreement (*ibid.*, p. 169). Indeed, the letter of Aug. 22 had reached Biddle by this time; Biddle said this was explicit enough to justify the bank in ceasing curtailment (to Sergeant, *loc. cit.*). But it was also explicit enough to justify a disavowal of the contract.

[1] *H. R.* 121, 22d Cong., 2d Sess., p. 118.

[2] To Biddle, Nov. 29, 1832, *ibid.*, pp. 112, 113; and Biddle to Barings, Oct. 19 and 31, 1832, *ibid.*, pp. 119, 120.

[3] *Ibid.*, pp. 118-20; circular of the Barings, p. 112.

[4] Returns of stock, Nov. 29, p. 111; Dec. 6, p. 112; Dec. 14, pp. 113-15; Dec. 19, pp. 115, 116; Dec. 22, p. 116.

depriving the Government of the use of its funds, directly the reverse is true, for the Government retains the funds and pays no interest.[1] But that the bank, the agent of the government, should urge the holders to delay presentation of the certificates, when its business was to procure them for the government at once, was another proposition, and one not to be justified by such arguments. Moreover, the assertions that "the money remains in the Treasury," "the Government retains the funds," were not strictly true, unless the bank and the treasury were identical, for the bank retained the funds and the government had no further use of them.

Suspicious souls will consequently continue to believe that Biddle's explanations were not veracious, but in morals as in law it is well to give the accused the benefit of the doubt. The evidence of the bank's integrity was sufficient for J. Q. Adams, Gulian C. Verplanck, Albert Gallatin, and Thomas Cooper,[2] and may well be accepted. What is certain is that after Biddle's disavowal the bank returned to its legal position, if it had ever deliberately left it, and the postponement of the 3 per cents. did not take place.

The most serious charges from the point of view of proper and safe business were those which imputed usurpation of the authority and power of the board of directors, by the president and the exchange committee, and the use of such power to loan funds to favored individuals on unusual terms.

The charge of loaning large sums of money to favorites was made in the case of T. Biddle & Co. The bank replied by asserting that the firm acted as its brokers, which is undoubted, and that the loans were made to them to loan

[1] To C. A. Wickliffe, Dec. 6, 1832, *P. L. B.*, Vol. IV, pp. 335, 336.

[2] "To me, the reasoning of Verplanck is sufficient; nor does the evidence, in my view of it, show any *voluntary* infraction of the charter by the bank through the agency of Gen'l Cadwalader."—T. Cooper to Biddle Columbia, S. C., July 16, 1833, *B. P.* Verplanck nevertheless condemned the arrangement, and declared that in making it "the institution exceeded its legitimate authority."—*H. R.* 121, 22d Cong., 2d Sess., p. 1.

for the bank.[1] This is likely. Professor Sumner's assertion that precisely such loans led later to the ruin of the bank[2] is not apropos, because the later loans were made deliberately at a moment when it was intended to close up the bank's business, and were of an entirely different nature.[3]

The president of a bank, if he is a real and active executive, a man of energy, of autocratic temper, of tact and skill, will always secure power over his board, provided that he wishes to do so. In the case of the Bank of the United States this was rendered easier by the position of the president. Under the by-laws he was *ex officio* a member of every committee.[4] This power in committee was increased by his right under the rules of 1833 to name them all with one exception.[5] In addition it must be recollected that his tenure of office was continuous, while that of the directors was intermittent. Again, most of the voting for directors was done by proxy,[6] and out of 4,533 proxies in 1832, Biddle in person held 1,436, and was joint holder in the case of 1,684 others.[7] While he thus held a controlling number of the votes of distant stockholders, those resident in Philadelphia rarely attended elections,[8] and consequently the holders of proxies had power to elect the directors if they chose.

Nicholas Biddle was a man of intense energy, autocratic in temper, and possessing supreme confidence in his own judgment. It was inevitable that he should rule and not

[1] Adams's report, *H. R.* 460, 22d Cong., 1st Sess., p. 390.

[2] *Andrew Jackson* (revised), p. 311.

[3] See p. 365.

[4] *Rules and Regulations of the Bank of the United States*, Rule XVI, par. 2. See Appendix III.

[5] *Ibid.*, Rule XIII, and sec. 3, Rule XXV. The exception was the Committee on the State of the Bank. The rules in this respect were effective.—*H. R.* 121, 22d Cong., 2d Sess., pp. 53, 54, 56, 65.

[6] *H. R.* 460, 22d Cong., 1st Sess., p. 284.

[7] *Ibid.*

[8] "But the stockholders resident in Philadelphia, ... will not put themselves to the inconvenience of coming to the Bank for the purpose of voting. The consequence is, that the responsibility of voting at elections devolves, in a great degree, on the representatives of the distant stockholders."—Biddle, *ibid.*, p. 283.

merely reign, and the proofs that he did rule are observable everywhere. He appointed the committees of the bank after 1828, though the rules giving him this power were not adopted until 1833;[1] he does not want the bank's books examined by the government directors, and he gives orders that the books must not be examined by them,[2] though only the board could rightfully do this; he desires new directors at the central board and writes, "General Cadwalader and myself have thought it was for the interest of the Bank to make the change,"[3] though it would be difficult to find in the charter any clause giving General Cadwalader and Nicholas Biddle authority to appoint new directors.

Though such power might not in itself be objectionable, it was certainly liable to abuse, and under Biddle something like abuse can be detected. The most serious charge was that of R. M. Whitney, who asserted in 1832 that the president of the bank (1) made discounts on his own authority; (2) that in doing so he favored his relatives, T. Biddle & Co.; (3) that he made such loans without charging interest; (4) that a custom had obtained of permitting brokers to receive money from the teller's drawer as temporary loans, leaving stock certificates as security; (5) that these transactions were not entered on the books of the bank, and consequently never came to the knowledge of the directors. To substantiate his charges, Whitney told a very circumstantial story to the effect that the cashier and assistant cashier had reported to him specific transactions of this character in May, 1824; that he with them went to the first teller's drawer and found security for two temporary loans of large sums; that they then went to the discount clerk's desk and found two notes for large sums which had been discounted by the president alone, and not entered on the books. He

1 Memorial of the Government Directors, *Ex. Doc.* 12, 23d Cong., 1st Sess., p. 9.

2 To Jaudon, Newport, July 16, 1834, *B. P.*

3 To D. Sears, Jan. 5, 1824, *P. L. B.*, Vol. I, p. 91.

said that he instructed the officers "to enter on the books the money that had been loaned from the Teller's Drawer," and that this was done under the head of "bills receivable;" that he then went at once to President Biddle and "desired that nothing of a similar nature should occur while" he remained a director. The president "colored up a good deal" and said that there should not.[1] Whitney had taken a memorandum of the sums at the time and produced it in corroboration of his assertions.[2] He gave exact dates for the transactions.

Unfortunately for him, his evidence broke down at every one of the essential points most needing corroboration. In regard to the charge that the president made discounts on his own authority, ex-Cashier Wilson, who was said to have given the information and was summoned to support Whitney, swore positively that the notes referred to had been discounted by the board and not by the president.[3] Both the officers who, Whitney asserted, had communicated to him the facts about the loan swore that they had no recollection of such an interview.[4] The first teller and the discount clerk declared that they had no knowledge of the alleged visit to their desks.[5] The officers also swore that no single director had authority to order entries made on the books, and in case such an order was given no clerk would obey it.[6] Mr. Andrews furnished evidence in the books to show that the sum of $45,000 was actually entered on the day the loan was made, and consequently could not have been ordered entered by Whitney.[7] In regard to the charge of favoritism to the Biddles, the evidence adduced was conclusive that the

[1] *H. R.* 460, 22d Cong., 1st Sess., pp. 115, 118.

[2] *Ibid.*, p. 118.

[3] "With respect to the note for $20,000 for T. Biddle, referred to by Mr. Whitney, I am positive it was discounted by the Board. I am equally positive as to the note of C. Biddle. I am as positive about this as about the other."—*Ibid.*, pp. 114, 126.

[4] *Ibid.*, pp. 112, 119.

[5] *Ibid.*, pp. 131, 132.

[6] *Ibid.*, pp. 120, 121, 126, 140.

[7] *Ibid.*, p. 120.

president had not been guilty.[1] That interest had been paid on all accommodations granted to the firm was irrefutably established by the testimony, by the books of the bank, and by those of the firm of T. Biddle & Co.[2] Finally, to Whitney's complete discomfiture, it was proved that President Biddle was in Washington when the particular loans referred to were made in Philadelphia, and so could not have made them, nor could he have been interviewed then by Whitney in regard to the loans.[3] The entire case was so overwhelmingly against Whitney that he was compelled to admit that the two loans were not made by the president; that the interview with him so confidently alleged did not take place at the time stated; that interest had been paid on the loans; and that he was not sure that he had directed the entries to be made.[4] The committee, though hostile to the bank, passed a majority resolution declaring that in their opinion the charges were "without foundation."[5]

[1] *Ibid.*, pp. 112, 114, Wilson's testimony; p. 129, Beck's testimony; pp. 135, 136, T. Biddle; p. 139, Andrews; p. 153, Cowperthwaite; pp. 154, 155, Cadwalader; pp. 155, 156, McIlvaine; p. 156, Eyre.

[2] *Ibid.*, pp. 114, 134, 136, 137, 506.

[3] *Ibid.*, pp. 141 ff.

[4] "The *two loans* appear to have been made and charged, while Mr. Biddle, the President, was absent at Washington; and I think it may be fairly inferred that they were allowed by the officers, in consequence of the precedent established of similar loans having been made, and they, not feeling willing to refuse to do, while the President was absent, what he had authorized and done while present, which was the reason of my being informed that they had been made, and that they had been put upon the books, or that I directed they should be. In relation to interest being paid, it certainly appears by the books that, at the time the two loans were paid off, interest was at the same time paid, for the period the money had been borrowed."—*Ibid.*, p. 149.

[5] *Ibid.*, p. 433. In regard to Whitney's charges several facts deserve notice. He must have been informed of the loans to T. Biddle, despite the failure of the officers to remember the interview; otherwise he could not have made his memorandum, for he had no access to the bank's books after 1825. Wilson must have given the information, and considered the act questionable (*ibid.*, p. 126). Being informed of these loans, and consulting the books at the time, and necessarily in company with the keeper of those books, Whitney probably advised transferring the loans to the account of "bills receivable." This is made more probable by the fact that only at this time were such loans charged to bills receivable (*ibid.*, pp. 134, 506). That Whitney believed the matter worthy of reprobation is proved by his having mentioned it at the time to a Mr. Hunt (*ibid.*, p. 141). The fact that the president was absent when the loans were made does not prove that the practice did not exist;

Yet before the very committee which heard these charges and admitted their disproof, it was proved beyond question that the president of the bank had on his own responsibility bought bills of exchange;[1] that he had granted interest to T. Biddle & Co. on loans by them to the bank, without the consent of anyone and against the protests of the cashier;[2] that on March 23, 1832, he had discounted a note for $3,500 for General Stevens, a congressman and a stranger to him, without consulting either the exchange committee or the board,[3] and this in spite of the fact that the board met the same day.[4] In May, 1831, Biddle also granted a loan to the War Department, though he had "had no opportunity of consulting the Board of Directors on the subject."[5]

These cases are, however, the only ones which a thorough search has revealed. Nor would it be rational to expect that many cases existed, since Biddle was so autocratic that his

but that someone besides the president employed it. This someone was probably the cashier himself, an assumption made almost a certainty by the testimony of T. Biddle, who declared that he believed "that the transaction was altogether with Mr. Wilson" (*ibid.*, p. 136). See also p. 135: "My transactions with the Bank, in ordinary cases, are done with the Cashiers; when a rule is once established, or in usage, for I do not know when it becomes a rule, we apply to the Cashiers; and, in nine cases out of ten, the whole transaction is begun and concluded with them;" and p. 137, where the entries in T. Biddle's books show that the money came from the cashier. The probability is that Wilson objected, not to the practice, but to the size of these particular loans, although he had made them himself. Troubled over the matter, he then consulted Whitney about it, stating as a grievance that the president had distinctly approved of such extensive loans. Whitney would then advise their being put on the books instead of leaving only a record of the transaction in the teller's drawer. At Biddle's return he probably argued against the practice, and Biddle would agree that he was right. This, it would seem, is the only possible explanation of the matter.

1 Wilson's testimony.—*H. R.* 460, 22d Cong., 1st Sess., p. 112.

2 "It was not regarded by me as a loan to the Bank till the interest account was rendered, and the explanation was given by the President, nor was it known to the Directors."—*Idem*, *loc. cit.*, p. 114; see also pp. 128, 135, 436.

3 "I directed the discount on this occasion, without waiting for the Committee of Exchange, because, from my own knowledge of the party, I was sure it would have been done by the committee, of which I am myself a member, and as the applicant was about to leave town I thought it right to give that reasonable accommodation to a stranger."—Biddle, *ibid.*, p. 190; also Cowperthwaite's testimony, *ibid.*

4 *Memorial of Reuben M. Whitney*, pp. 49, 50.

5 Biddle to Secretary Eaton, May 7, 1831, *S. D.* 98, 22d Cong., 1st Sess., p. 49.

will would be pretty certain to obtain at the board. This was particularly likely because the directors rarely attended a session of the board in any number. On one occasion McIlvaine writes Biddle that no quorum could be secured, and on another he says, "we had the unusually large Board of eight this morning."[1] With a directorate so little devoted to the irksome duties of their positions, it was inevitable that power should fall into the hands of a few, and it is not surprising to find an acquaintance appealing to Biddle for a loan on the ground that "you always get your way with the Board."[2]

Even if Biddle had not controlled the board, still he might easily control the committee of exchange, which was small and appointed by himself, and over which he presided. The essential charge was that this committee supplanted the board completely. That the committee itself had no reason for existing could not be urged, since the purchase and discounting of bills of exchange might frequently need to be made between discount days, and the board met only twice a week. Horace Binney consequently upheld the exchange committee as indispensable "to the due management of the parent bank."[3] The question still remains: Did it act as the agent or the master of the board?

The exchange department was created early in the history of the bank,[4] and a committee to manage the department naturally followed.[5] As exchange operations were at first

[1] Aug. 4, 1826, *B. P.* [2] R. Patterson to Biddle, Sept. 10, 1832, *ibid.*

[3] "Sir, the power exercised by the committee of exchange is known by all who know anything of practical banking, as it is now conducted in our cities, to be not only usual, but almost indispensible; and, to the due management of the parent bank, entirely so."—*C. D.*, Vol. X, Part II, p. 2355, Jan. 7, 1834.

[4] July 18, 1817.—Tyler's report, *S. D.* 17, 23d Cong., 2d Sess., p. 3.

[5] "A Committee of Exchange consisting of three members shall be appointed . . . . . who shall have special charge of all matters relating to the operations of the Bank and its offices, in Foreign and Domestic Exchange and Bullion—and who shall act as a daily committee for the purchase of Domestic Exchange at the Bank." —*Rules and Regulations of the Bank of the United States*, Rule XIII, par. 2. See Appendix III.

very limited, the committee was of little weight; but with the stupendous growth of such dealings under Biddle's system it became very important.[1] It was now appointed quarterly by the president, though down to 1828 it had been selected by rotation, so that all members might sit upon it.[2] In the early days, too, the functions of the committee consisted in the management of only exchange operations, while in 1832 an officer of the bank could say that "the principal object of having the Exchange Committee" was to discount notes on days that the board of directors did not sit.[3] At this time the committee purchased "bills both foreign and domestic, and, in the absence of the Board," discounted "domestic bills on any part of the United States."[4] It also discounted promissory notes.[5] In brief, it might "be said, in some measure, to represent the board . . . . to act for the board"[6] even in the ordinary business of the bank. In acting, however, it was authorized by votes of the directorate, sometimes to perform specific duties, as in the case of the 3 per cents., sometimes to operate generally, as by the resolutions of the 9th of July, 1830, which authorized the committee "to loan on the collateral security of approved public stock, large sums of money, at a rate of discount not lower than five per cent."[7] The government directors in 1833 objected to the making of discounts by the

1 From July 3, 1827.—Tyler's report, *S. D.* 17, 23d Cong., 2d Sess., p. 3.

2 Report of the government directors, April 22, 1833, *Ex. Doc.* 2, 23d Cong., 1st Sess., p. 24.

3 John Burtis, *H. R.* 460, 22d Cong., 1st Sess., p. 552.

4 M. L. Bevan, *H. R.* 121, 22d Cong., 2d Sess., p. 73.

5 Lewis, *S. D.* 17, 23d Cong., 2d Sess., p. 51; Sullivan, *H. R.* 121, 22d Cong., 2d Sess., p. 65; Cope, *H. R.* 460, 22d Cong., 1st Sess., p. 557; Bevan, *ibid.*, p. 564.

6 Cope, *ibid.*, p. 557.

7 *Ibid.*, p. 505, and resolution of Sept. 17, 1831, *ibid.*; resolution of March 6, 1835, NILES, Vol. LX, p. 139. These resolutions, be it noted, gave the committee authority to loan money on stock security. In other words, on July 9, 1830, it ceased to be only a committee of exchange.

committee, moving to restrict it to exchange purchases; but, nevertheless, the board as a whole approved.[1]

Such authority and such powers might not be objectionable, provided that the board kept itself informed of the transactions entered into by the committee and checked them when necessary. But the discounts were not generally "laid before the directors for their approval or rejection," but were "acted upon definitely by the committee,"[2] the directors not members of the exchange committee meanwhile knowing no "more of the nature of the operations than other persons."[3] Such discounts were, however, entered upon the books and submitted to the board after being made,[4] with the exception of loans on "bills receivable," which never came before it at all.[5] In 1831, moreover, the loans on "bills receivable," that is, loans secured by stock,[6] began to increase notably.[7] This was ominous, when it is recollected that Biddle early in his administration had condemned such loans as bad banking.[8] But in all this the committee acted under the board's authority.

A committee of five, including the president and cashier — a committee "expressly invested with an authority which, from its very nature, exempted" it "from many of the ordinary rules of discounting,"[9] which discounted promissory

1 *Ex. Doc.* 2, 23d Cong., 1st Sess., pp. 23-5; and *Ex. Doc.* 12, 23d Cong., 1st Sess., pp. 8, 9.

2 Biddle, *H. R.* 460, 22d Cong., 1st Sess., p. 84.

3 R. Willing, *H. R.* 121, 22d Cong., 2d Sess., p. 69.

4 Sullivan, *ibid.*, p. 62.

5 Report of the Investigating Committee of Stockholders, April 3, 1841, NILES, Vol. LX, p. 107.

6 "'Bills receivable' are those secured by stock, and on which the full amount is advanced to the borrower with interest, payable when the loan is due. To this account is also carried bills growing out of compromises of debts, and more recently, of bills received on account of India arrangements."—*H. R.* 460, 22d Cong., 1st Sess., p. 120.

7 For 1822-30, $1,059,202.90; for 1831, $1,121,107.51.—*Ibid.*, pp. 506, 507.

8 Biddle to Isaac Lawrence, Oct. 13, 1823.—*P. L. B.*, Vol. I, p. 55.

9 Biddle, *H. R.* 460, 22d Cong., 1st Sess., p. 542. Bevan said that it was bound by no rules "other than those which men, feeling an interest in the bank and in the public good, would be governed by."—*H. R.* 121, 22d Cong., 2d Sess., p. 74.

notes four days out of every week and controlled the enormous exchange operations of the bank, was likely to absorb power, likely to abuse its authority. There can, indeed, be no doubt that this was the result. After the downfall of the bank, certain of the directors accused Biddle of having destroyed the institution, the specific charges being that a resolution of March 6, 1835, gave the complete control of the bank into the hands of the president and the exchange committee, that this committee exercised its authority to loan money on the pledge of the stock of incorporated companies, no matter what the companies were like or what their operations were, and that these loans ruined the bank.[1] Biddle's accusers, however, omitted the extremely important qualification that such powers had been primarily granted to the committee five years earlier, and Biddle answered their charge that the committee dealt in regular discounts by proving that this had long been the custom, and had been authorized by the board,[2] as is apparent enough from what has already been said. This, however, was only to push back the charges to a date five years earlier. The directors had no answer, because Biddle's rejoinder proved that they were equally guilty, having been members of the board at the time, and having voted for the obnoxious resolutions, besides declaring as members of examining committees that the business was sound.[3] They had partly forestalled this answer, however, by declaring that the committee on the state of the bank never really investigated its affairs, but

[1] This resolution gave the president and exchange committee power "to make loans on the security of the stock of this bank, or other approved security, and if necessary, at a lower rate than six, but not less than five per cent per annum."—Report of the Investigating Committee of Stockholders, April 3, 1841, NILES, Vol. LX, p. 106.

[2] Biddle to John M. Clayton, April 14, 1841, *ibid.*, p. 138.

[3] *Idem.* Votes on the proposition to reduce the powers of the exchange committee, Eyre and Lippincott always in the negative, April 19, 1833; May 2, 1833. Committees on state of the bank, including Lippincott on four of them, from 1836–38.—*Ibid.*, p. 139.

accepted statements made by the president, while many of the transactions were concealed under the item of "bills receivable."[1] The conclusion is irresistible that abuses did exist, and were participated in by both accused and accusers. Biddle could not controvert the charge; the directors could not carry it to its logical conclusion because it inculpated them.[2]

That abuses existed after 1830 must be admitted, and this is the principal point. But admitting this—admitting that the president and the exchange committee controlled the business of the bank, in regard to dealings in foreign and domestic exchange, to loans on stock, and to discounting between discount days, while the president even made discounts absolutely on his own authority—admitting all this, yet it does not follow that they were to be held responsible for the losses accruing. The board gave this authority in many cases, and, where it did not, it might have checked the practice, for the dealings of the exchange committee were placed sooner or later before the entire board, and the trans-

1 "The mode in which the committee of exchange transacted their business, shows that there really existed no check whatever upon the officers, and that the funds of the bank were almost entirely at their disposition. . . . . They exercised the power of making loans and settlements, to full as great an extent as the board itself. . . . . The established course of business seems to have been, for the first teller to pay on presentation at the counter, all checks, notes, or due bills having indorsed the order or the initials of one of the cashiers, and to place these as vouchers in his drawer, for so much cash, where they remained until just before the regular periodical counting of the cash, by the standing committee of the board on the state of the bank. These vouchers were then taken out, and entered as 'bills receivable,' in a small memorandum book, under the charge of one of the clerks. . . . . It can be said, ... with entire certainty, that the very large business transacted in this way, does not appear upon the face of the discount books, was never submitted to the examination of the members of the board, at its regular meetings, nor is it anywhere entered on the minutes, as having been reported to that body, for their information or approbation."—Report of the Investigating Committee of Stockholders, April 3, 1841, NILES, Vol. LX, p. 107. See, in answer, Biddle to Clayton, April 14, 1841, *ibid.*, p. 139, and in rebuttal of this the second report of the Investigating Committee, May 18, 1841, *ibid.*, p. 203.

2 The directors finished by saying that the "board of directors and its standing committees had become" a mere form. This was their thesis.—*Ibid.*, p. 203. The board being a mere form, the conclusion was that the president and the committee had usurped its functions.

actions might be known at any time.[1] All the business of the bank was to be investigated by a committee appointed by the directors four times a year,[2] and if this committee was efficient, all errors and all transactions should have been known to it, and through it to the board. If, therefore, bad business was done, the board, and not the president or the exchange committee, was responsible. The censure must lie here, and it must be heavy, for of all the charges examined this is the only one thoroughly substantiated, and the only one of great and perilous import.

1 "They report, on the books, all their doings daily. The aggregate of foreign bills are entered in the general account of the bank, which is always open to the inspection of every director, so that the board can see at any time what the executive committee are doing, by an examination of the debit and credit on the books. . . . . The domestic bills are entered daily in detail — the drawer, indorser, and payer, the amount, when and where due, are all entered, with the discount and all particulars."— Bevan, Feb. 14, 1833, *H. R.* 121, 22d Cong., 2d Sess., pp. 73, 74.

2 *Rules and Regulations of the Bank of the United States*, Rule XIII, par. 3. See Appendix III.

CHAPTER XII

THE WAR ON THE BANK

In July, 1832, Biddle announced to supporters of the bank that it would take no active part in the campaign, since such action was contrary to its principles.[1] It aided, however, by the dissemination of publications in its favor. Meanwhile it devoted its energies to its own affairs, though not yet determined upon its final policy, which could not be settled until the issue of the campaign was known.[2] If the two-thirds majority was secured, it would continue as before; if it was not secured, then a change in policy might be adopted. When at last it was known that Jackson had been triumphantly re-elected, the directory concluded, nevertheless, that no "change in the general system of operations" should take place. The bank would not "commence any systematic reduction of its loans with a view to winding up its affairs." The only change contemplated was "to give gently and gradually the loans of the Bank the direction of domestic bills, ... which being payable at maturity" would "give the Institution a greater command over its funds." But there was no intention of beginning "to close its concerns."[3] Evidently the directors still hoped that a new charter might be secured.

Their chances, however, had materially diminished. A necessary consequence of the struggle had been to embitter both parties and to increase the suspicion of base motives on both sides. The *Globe* did not hesitate to assert "that members of the defeated party were prompting the 'minions

[1] See p. 251.

[2] Biddle to various directors, Nov., 1832, *P. L. B.*, Vol. IV, pp. 311-15.

[3] Biddle to John Rathbone, of New York, Nov. 21, 1832, *ibid.*, p. 332.

of the bank' " to assassinate the president,[1] and the tone of the party newspapers became absolutely ferocious. Jackson shared in this spirit and was not content to rest satisfied with his signal victory. He longed, he said, "for retirement, and repose on the Hermitage. But until I can strangle this hydra of corruption, the Bank, I will not shrink from my duty, or my part."[2] Having once entered the fray, he would be appeased with nothing less than the total annihilation of the bank, thoroughly convinced that the monster was unconstitutional, undemocratic, corrupt, subversive of liberty, dangerous to "the people."

In the message of 1832 he complained at length of the bank's behavior and recommended the sale of the government stock therein and an investigation by Congress to determine whether it was safe to leave the public funds in its control.[3] Biddle was well aware of the president's feeling and for the first time was not surprised by the contents of the message.[4] He indeed suspected that the executive would attempt the discredit of the bank by planning a run upon the Washington office. "I have to-night directed a reinforcement of specie to Washington to protect the Branch against the Officers of the Executive. Is not that a monstrous state of affairs?"[5] What hurt and angered him still more was that McLane had supported his chief's insinuations of the bank's insolvency, declaring that its action in relation to the 3 per cents. and other matters had "tended to disturb the public confidence in the management of the institution," and had suggested "an inquiry into the security of the bank as the depository of the public funds."[6] The

[1] PARTON, Vol. III, p. 431.

[2] Jackson to Rev. H. M. Cryer, Washington, April 7, 1833, *The American Historical Magazine*, Vol. IV, p. 239.

[3] *Messages and Papers*, Vol. II, pp. 599, 600, Dec. 4, 1832.

[4] "I have known for some time that the message would contain just such a notice of the Bank."—Biddle to Watmough, Dec. 6, 1832, *P. L. B.*, Vol. IV, p. 335.

[5] *Ibid.*

[6] *Ex. Doc.* 3, 22d Cong., 2d Sess., p. 14.

message and report shook the credit which is the very life of such an institution, and depressed the price of the stock.[1] The bank might be broken as a consequence of the loss of confidence in its solvency, and Biddle bitterly denounced master and man as deserving impeachment.[2]

The president, however, had no reason to dread impeachment, but pressed constantly forward. He was determined to deprive the bank of the deposits, basing his determination upon two opinions: first, that they were not safe in the bank; and secondly, that if they were allowed to remain in its custody, they would be employed to bribe the members of Congress to pass a re-charter over the veto. To a friend he wrote:

> This combination [of Clay and Calhoun] wields the U. States Bank, & with its corrupting influence they calculate to carry every thing, even its recharter by two thirds of Congress, against the veto of the Executive, if they can do this, they calculate with certainty to put Clay or Calhoun in the Presidency—and I have no hesitation to say, if they can recharter the bank, with this hydra of corruption they will rule the nation, and its charter will be perpetual, and its corrupting influence destroy the liberty of our country. When I came into the administration it was said, & believed, that I had a majority of seventy-five — since then, it is now believed it has bought over by loans, discounts, &c., &c., until at the close of last session, it was said, there was two thirds for rechartering it.[3]

In this opinion he was most obstinately fixed, Blair, of the *Globe*, pressing it upon him constantly.[4] He was,

[1] *The War on the Bank of the United States*, p. 25. Stock fell 4 per cent.—NILES Vol. XLIII, p. 240.

[2] "But when I think of the conduct of the President and the Secretary in thus endeavoring to prostrate the credit of the Bank and the country both here and in Europe, I come to the conclusion that they both deserve impeachment."—To Watmough, Jan. 13, 1833, *P. L. B.*, Vol. IV, p. 381.

[3] Jackson to Rev. H. M. Cryer, Washington, April 7, 1833, *American Historical Magazine*, Vol. IV, p. 239.

[4] "If the bank is permitted to have the public money, there is no power that can prevent it from obtaining a charter — it will have it if it has to buy up all Congress, and the public funds will enable it to do so."—Jackson to W. B. Lewis, Lewis's narrative, PARTON, Vol. III, p. 506. See for Blair's opinion *ibid.*, pp. 503–5.

moreover, informed by James A. Hamilton that "a gentleman whose knowledge of the views of the United States Bank is only second to that of its President" had told him that the bank counted upon securing a re-charter in spite of the president.[1] Even if it did not succeed now, he believed that it would attain its purpose after his retirement, and consequently it was necessary to precipitate another conflict and thus force the bank's hand.[2] The idea of withholding the deposits was not a new one. Secretary Ingham in his acrid correspondence with Biddle in 1829 had pointed out such a possibility,[3] and it had been suggested during the investigation of 1819.[4] Moreover, attempts at a partial withdrawal of the deposits had been made several times, though without success.[5] The authority to remove the public funds from the bank had been confided by the charter to the secretary of the treasury, to be exercised at his discretion. He must, however, give his reasons for the act to Congress as soon as possible after the removal.[6]

The advisability of depriving the bank of the public deposits was apparently discussed by the president's intimates during the campaign of 1832, for the bank was warned of the likelihood of such action in August of that year.[7] After the campaign, rumors of the president's resolution came thick and fast, and Biddle was informed "that the determination to take the deposits away is *final*."[8] Other correspondents

[1] Feb. 28, 1833, *Reminiscences*, p. 251.

[2] *Extra Globe*, Vol. I, p. 27, July 3, 1834. Taney's speech, Aug. 6, 1834, *ibid.*, p. 146.

[3] "I take the occasion to say, if it should ever appear to the satisfaction of the Secretary of the Treasury that the bank used its pecuniary power for purposes of injustice and oppression, he would be faithless to his trust if he hesitated to lessen its capacity for such injury, by withdrawing from its vaults the public deposites."—To Biddle, Oct. 5, 1829, *H. R.* 460, 22d Cong., 1st Sess., p. 460.

[4] Spencer's resolution, Feb. 1, 1819, *A. of C.*, 15th Cong., 2d Sess., Vol. III, pp. 922, 923.

[5] See pp. 177, 202.

[6] Sec. 15 of the charter, Appendix I.

[7] "He may take the responsibility — and [I] think it well to be prepared for that event."—Senator J. S. Johnston to Biddle, Aug. 2, 1832, *B. P.*

[8] R. L. Colt; Cowperthwaite to Biddle, Dec. 7, 1832, *ibid.*

gave the same assurance in January, 1833. He was also informed that there was a project to create another bank to take the place of that already existing.[1] A third plan was for the president of the United States to issue "a scire facias to ascertain if the charter had not been forfeited."[2]

While these projects were being discussed the administration had taken hostile measures against the bank. McLane, during the interval between the sessions, had appointed an agent, a Jackson partisan, formerly a director of the bank and engaged in western business, to examine into its affairs, especially into the condition of the western debts. To the discomfiture of its enemies, his report declared that these debts in his opinion were safe and that the deposits might with confidence be allowed to remain in the custody of the corporation.[3] The report was strengthened through the rejection by the House in February, 1833, of a motion to sell the government stock,[4] by a report of the Committee of Ways and Means to the same effect,[5] and still more by the emphatic declaration of the representatives, by a vote of 109 to 46, that in their opinion the deposits were perfectly safe in the keeping of the bank.[6]

Though these acts certainly staggered Jackson's supporters, they did not affect his purpose in the least. On the contrary, he was all the more convinced that it was necessary to act in order to hinder the bank's securing a re-charter by bribery. The effect upon Biddle and his friends was cheering. The hope of securing a new charter had not perished. In January Jaudon opposed the sale of the government's stock in the bank because "it would weaken our chance of

1 Ingersoll to Biddle, Jan. 18, 1833, *ibid.*

2 Biddle to J. G. Watmough, Feb. 19, 1833, *P. L. B.*, Vol. IV, p. 440.

3 Toland's report, Dec. 4, 1832, *Ex. Doc.* 8, 22d Cong., 2d Sess., p. 3.

4 *C. D.*, Vol. IX, Part II, pp. 1707, 1722. Vote, 102 to 91.

5 *H. R.* 121, 22d Cong., 2d Sess., p. 5, March 2, 1833.

6 *C. D.*, Vol. IX, Part II, p. 1936, March 2, 1833.

a re-charter."[1] On the day that the House declared its belief in the safety of the deposits in the bank's custody, Sergeant said that he thought there was reason to hope for a new charter,[2] while Clay informed Biddle that the prospects were not bad, though nothing could be done for the present.[3] He hoped "that at the next session or the session after, the charter" would be renewed,[4] while Biddle expressed his conviction "that the chances of a renewal have increased and are increasing."[5] Jackson's conflict with the Nullifiers encouraged Biddle to believe that support could be secured in the South, while the momentary affiliation of Webster and Jackson against the Nullifiers gave hopes of influencing the president through the bank's great champion. The first expectation was justified;[6] the second was not. In April Biddle wrote to Webster asking him to attempt a reconciliation with the administration, saying that "whatever is done in the way of pacification should be done soon, for if the deposits are withdrawn, it will be a declaration of war which cannot be recalled;"[7] "the whole question of peace or war lies in the matter of the deposites."[8] Webster did what he could, but without avail.

Before acting Jackson took advice as to the probable

[1] Jaudon to Biddle, Washington, Jan. 23, 1833, *B. P.* Also Biddle to Watmough, Feb. 13, 1833, *P. L. B.*, Vol. IV, p. 432.

[2] To Biddle, March 2, 1833, *B. P.*

[3] To Biddle, Feb. 16, 1833, *B. P.*

[4] To Biddle, March 4, *ibid.*

[5] To William B. Shepard, of Elizabeth City, N. C., March 16, 1833, *P. L. B.*, Vol. IV, pp. 459, 460.

[6] Cooper, of South Carolina, who had written against the bank, now came out in its favor.—Cooper to Biddle, Columbia, S. C., April 27, 1833, *B. P.* Cooper and Leigh, of Virginia, took the ground that the issue was between the old bank or a new one after Jackson's pattern. Biddle constantly assured the southerners that such was the case.—To Cooper and to J. S. Barbour, July 11, 1833, *P. L. B.*, Vol. IV, p. 513.

[7] Biddle to Webster, April 8, 1833, *B. P.*

[8] "I wrote to you to say that Mr. L. [Livingston?] would be in New York. I write to you again to say that I think it would be well to see him. The whole question of peace or war lies in the matter of the deposites. If they are withdrawn, it is a declaration of war. It is wiser therefore to begin the work of peace before any irrevocable step is taken."—Biddle to Webster, April 10, 1833, *ibid.*

effect of a removal of the deposits. James A. Hamilton convoked a meeting of bankers in New York city and obtained their opinion. It was decidedly averse. Mr. Gallatin was most determined in opposition.[1] Isaac Bronson answered a number of queries at length. He said that the bank would not be placed in the power of the state banks by the removal of the deposits; that it would be compelled to "reduce its discounts by an amount equal to the average sum of public deposits withdrawn from it," since it could not otherwise pay them without reducing its specie, which it "could not do safely;" that if it reduced, the state banks would have to do likewise; that a contest between the bank and the state banks would necessarily result; that no combination of state banks could be formed to take its place; and that the withdrawal of the deposits would probably aid in securing a re-charter.[2] With these assurances to guide him, Jackson persisted in his course, and knowing that a panic must in all probability result, according to the opinion of a competent banker who was a friend to him and an enemy to the bank, he must be held accountable, as the supporters of the bank asserted, for having precipitated the panic.[3] Besides securing these opinions, the president on April 14, and again on August 3, instructed the government directors to make an examination into the situation and conduct of the bank.[4] In their reports to him they detailed a number of acts which he considered conclusive proof of the corrupt interference of the corporation in politics and its settled hostility to the government.[5]

[1] *Reminiscences*, p. 253.

[2] *Ibid.*, pp. 253-8, April 4, 1833.

[3] Moreover, that the administration believed that the bank would be compelled by its measures to contract is inferable from Kendall's correspondence: "If it be determined not to remove them," he wrote to Secretary Duane, "it is supposed the Bank of the United States will resume its wonted course, and cease to distress the community."—Sept. 4, 1833, *S. D.* 17, 23d Cong., 1st Sess., p. 16.

[4] Jackson to the directors, April 14 and Aug. 3, 1833, *Ex. Doc.* 12, 23d Cong., 1st Sess., pp. 27, 33.

[5] Paper of Sept. 18, 1833, *Messages and Papers*, Vol. III, pp. 13-16.

Meanwhile, warnings that the deposits would be removed in spite of the action of Congress continued to reach the bank's president. Yet, at the same time, he was informed that "the question . . . . about removing the deposits *is as far from being settled as ever*," and that the leading members of the cabinet were unalterably opposed to the policy.[1] His own opinion was that the administration "would not *dare* to remove them."[2] On the 15th of April he was informed that changes would be made in the cabinet; that McLane would be secretary of state, a Pennsylvanian secretary of the treasury, and that "*the deposits will not be removed*," McLane having "taken a decided stand" and won the day.[3]

This information was partially correct. The changes in the cabinet were made in accordance with it, but they were made with the expectation of securing a more pliable secretary of the treasury than McLane. The man selected was William J. Duane, of Philadelphia. He had been asked to take the office as early as December 4, 1832, and agreed to do so on the 30th of January, 1833.[4] It is therefore evident that the removal had been determined upon even as early as this. Duane was informed immediately by R. M. Whitney, who claimed to be acting for the president, that the deposits were to be removed.[5] Soon after this he was visited by Kendall, who gave him the same information,[6] while on the 3d of June Jackson in person communicated his intentions. On this occasion the president discovered to his dismay that Duane was unwilling to order the removal.

1 Webster to Biddle, New York, April 8, 1833, *B. P.;* R. W. Gibbes to Biddle, Baltimore, April 13, 1833, private, *ibid.*, pp. 13-16.

2 Biddle to Webster, April 8, 1833, *ibid.*

3 Cashier R. Smith to Biddle, Washington, April 15, 1833, *ibid.*

4 Letter of Duane, Oct. 23, 1833, NILES, Vol. XLV, p. 272, quoting the New Orleans *Bulletin;* and Duane's Exposition, *ibid.*, p. 236.

5 DUANE'S *Narrative*, p. 5.

6 Kendall called at first on his own responsibility, a second time at the request of Jackson.—*Autobiography of Amos Kendall*, p. 377.

He argued the question, he expostulated, he begged his secretary to be reasonable; but the stubborn subaltern would not yield. On the contrary, he argued the point against the president with equal strenuousness, ending by promising to resign if he could not see his way clear to giving the required order.

Hereupon Kendall was sent on a mission to the state banks to see if they could be persuaded to take the deposits on terms advantageous to the administration.[1] In Duane's opinion the mission was a failure, and Jackson's plan was certain, if carried out, to plunge the "fiscal concerns" of the country "into chaos."[2] Kendall himself is said to have admitted to Jackson that the "project of removing the deposits must be given up."[3] Jackson agreed neither with the secretary nor with his agent. His purpose was not shaken in the slightest degree. On his return from the eastern trip taken in the summer of 1833 he told Duane that the deposits must be removed and that he would take the responsibility. On the 18th of September he read his famous "paper" to the cabinet, in which he gave his reasons for the removal and assured the cabinet, as he had assured Duane, that he would take the responsibility. Duane, however, refused to budge from his position. He then exasperated Jackson still further by recalling his promise to resign. This decision was taken after the publication of the president's paper, an act which Duane considered personally insulting. The publication was made on the 20th of September, and on the 21st Duane sent Jackson a long, querulous letter, giving twelve reasons why he would not remove

[1] Kendall received his instructions July 23.—Duane to Jackson, Sept. 9, 1833, *S. D.* 17, 23d Cong., 1st Sess., p. 9. His mission was semi-public.—NILES, Vol. XLV, p. 26, note, Sept. 7, 1833, quoting from the *Pennsylvanian* of about Aug. 1. The announcement of his appointment was made in the *Globe* on the 25th of July.

[2] DUANE'S *Narrative*, p. 96.

[3] SUMNER, *Jackson* (revised), p. 352, quoting Rives in 1856, in the *Globe*. See also Benton's statement that "local banks were shy of receiving them" [*i. e.*, the deposits].—*Thirty Years*, Vol. I, p. 385.

the deposits, refusing to resign, and rather inconsequently subscribing himself "your obedient servant."[1] Jackson returned the letter forthwith, whereupon Duane wrote a second, third, and then a fourth in quick succession. Jackson returned the third and fourth as "inadmissible," and then gave Duane an ignominious dismissal, concluding a curt, cutting letter to him with these words: "I feel myself constrained to notify you that your further services as secretary of the treasury are no longer required."[2]

Biddle was thoroughly informed of the relations existing between the president and the secretary, and knew at last that the determination of the president was unalterable. On the 30th of July he wrote to Robert Lenox that "the gamblers are doing everything in their power to bend Mr. Duane to their purposes," but the secretary "will not yield an inch."[3] Two days later he described the situation so correctly that there can be no doubt that he had confidential information: "Duane has been required to withdraw the deposits and has refused. This mission [*i. e.*, Kendall's] is now got up to prove that he can do without the Bank of the United States and then he will be again asked—and he will again refuse. Then he will either leave the Treasury, or have conquered the Kitchen Cabinet—in either case the triumph of the Bank will be signal."[4] Biddle was therefore sufficiently forewarned of the president's purpose and took precautions accordingly.[5]

Immediately after Duane's dismissal, Roger B. Taney, a consistent foe of the bank, who had all along urged upon the president the necessity of removing the deposits,[6] was

[1] Duane's Exposition, NILES, Vol. XLV, p. 237. [2] *Ibid.*, pp. 237, 238.

[3] Biddle to Lenox, July 30, 1833, *P. L. B.*, Vol. IV, p. 518.

[4] Biddle to John Potter, of Princeton, Aug. 1, 1833, *ibid.*, p. 519; and to T. Cooper, July 31, *ibid.*

[5] Warning of the removal was given by the papers in September. Mr. Duane, it was said, would resign, and either Taney or Kendall be appointed secretary.—NILES, Vol. XLV, p. 33, Sept. 14, 1833.

[6] Taney to Jackson, Aug. 5, 1833, TYLER, *Memoir of R. B. Taney*, p. 195.

appointed secretary and executed the president's design. The bank's stock immediately declined $1\frac{1}{2}$ per cent.[1] The deposits were not actually removed. On the contrary, the administration did not touch the government funds held by the bank, hoping thus to deprive the directors of an excuse for contracting their business.[2] It was a shrewd move, but had little effect. The mere withholding of further deposits, while those still in the bank were gradually withdrawn in the regular course of the government's use of the funds, was sufficient, in the opinion of most men, to force a contraction. Besides, the phrase "removal of the deposits" gained instant currency, and the assertion that they were not removed passed almost unheeded.

Besides Taney, the other thick-and-thin supporters of "removal" about Jackson were Kendall and Blair, Barry, and Reuben M. Whitney. The members of the cabinet, excepting Barry and Taney, were either hostile to the act or lukewarm in support. Cass allowed himself to be overruled; Woodbury said he was with the president now, though opposed earlier.[3] Many close friends of the president sup-

1 NILES, Vol. XLV, p. 65. It revived by Nov. 5.—*Ibid.*, p. 166.

2 "It is contemplated, we understand, not to remove, at once, the whole of the public money, now on deposite in the bank of the United States, but to suffer it to remain there until it shall be gradually withdrawn, by the usual operations of the government. And this plan is adopted in order to prevent any necessity, on the part of the bank of the United States, for pressing upon the commercial community; and to enable it to afford, if it think proper, the usual facilities to the merchants. It is believed, that by this means the change need not produce any inconvenience to the commercial community, and that circumstances will not require a sudden and heavy call on the bank of the United States so as to occasion embarrassment to the institution or the public."—*Ibid.*, p. 51, Sept. 21, 1833, quoting the *Globe* of the 20th.

"A sudden transfer of a large specie fund would certainly enable the state banks to extend their accommodations, and make the money market easy; but it would be followed by a disastrous reaction. The United States bank being thus suddenly weakened, would have not only an excuse, but a justification in calling upon her debtors with the greatest urgency. . . . . The pressure would return with more rigor than ever, and the blame would be thrown upon the government.

"We must not expose ourselves to such an attack. If the bank shall produce a pressure, (as she certainly can by unreasonable calls upon her debtors) the blame would now attach to herself, and she will not have even a *pretence* for casting it upon the government."—Letter of A. Kendall, Oct. 18, 1833, *ibid.*, p. 299.

3 PARTON, Vol. III, p. 508. DUANE's *Narrative* shows this plainly. Van Buren changed to the president's side during the trip to the Rip-Raps, much to McLaue's disgust.—HAMILTON, *Reminiscenses*, p. 258; KENDALL, *Autobiography*, p. 378.

ported the opinion of the majority of the cabinet, considering the act unjust, and above all impolitic. A large proportion of the Democrats were in the position of Duane, who had always been "opposed to the United States bank, and to all such aristocratic monopolies; but . . . . considered the removal of the deposites, unnecessary, unwise, vindictive, arbitrary, and unjust."[1] These opinions were sound, though it is conceivable that the president might secure for his act of overbearing mastery almost as many supporters as he would lose. His own belief that the policy was one of justice and self-defense would in the long run be that of the Democratic masses, for Jackson's mental processes were those of the average honest, ignorant man. As he thought, so they would think. How differently different men would feel is evidenced by the wish of Robert Lenox that the president would remove the deposits in order that the bank might be re-chartered,[2] and the admiration of Benton when it was done.[3]

In his paper read before the cabinet on the 18th of September, and prepared for him by Taney,[4] Jackson gave a variety of reasons for the removal: The bank had increased its loans in 1832 in order to compel a re-charter; it was settled by the campaign of that year that the charter should not be renewed, and therefore the president thought that the removal could not, "with due attention to the interests of the people, be longer postponed;" Congress could not act with regard to the deposits until the secretary had first acted; the public funds were probably unsafe in the bank's custody; it had interfered to hinder payment by the

[1] Letter of Oct. 17, 1833, NILES, Vol. XLV, p. 178.

[2] Lenox to Biddle, New York, July 29, 1833, *B. P.* The removal was actually "desired by political men friendly to the Bank."—I. Bronson to J. A. Hamilton, *Reminiscences*, p. 257.

[3] "I felt an emotion of the moral sublime at beholding such an instance of civic heroism."—*Thirty Years*, Vol. I, p. 379.

[4] TYLER, *Taney*, p. 204.

treasury of the 3 per cent. stocks; had mistreated the government in the matter of the French indemnity bill; had refused to allow the government directors their charter privileges; had conducted business with less than a quorum of seven directors; had spent immense sums for publications for political effect, and thus corrupted the press. Finally he declared that the responsibility had been assumed "as necessary to preserve the morals of the people, the freedom of the press, and the purity of the elective franchise."[1] One would search the constitution in vain to find the clauses giving the president of the United States the guardianship of "the morals of the people, the freedom of the press, and the purity of the elective franchise," but it is certain that Jackson thoroughly believed himself endowed with such authority, and considered this a sufficient reason for his action.

Jackson's act precipitated a panic in a market already stringent on account of the reductions in bank accommodations due to the hostile relations between the administration and the bank. The withdrawal of the deposits necessarily had this result, because it left all moneyed interests in a condition of suspense and doubt, put monetary affairs on a new and uncertain basis, and gave a tremendous shock to public confidence, without which commercial dealings cannot continue. The commercial situation was further aggravated

[1] *Messages and Papers*, Vol. III, pp. 5-19.

[2] "The increased facilities of communication and inland exchanges have, within the last years, multiplied to an extent heretofore unknown, the transactions, contracts and responsibilities, between the several cities, and between the cities and even the most remote parts of the country.

"The regularity with which the enormous mass of engagements resulting from those transactions spread over the whole country, and all intimately connected together, can be discharged, depends entirely on an uninterrupted continuance of the ordinary sales, payments, remittances and credits. The whole machinery, by which business in all its various branches is carried on, is credit extended to its utmost limits. Whatever lessens the general confidence, on which credit is founded, must necessarily produce a fatal derangement and interruption in every branch of business.

"It is with this state of things, that, without any necessity or investigation, the executive thought proper to interfere."—Report of the Union Committee of New York, March, 1834, NILES, Vol. XLVI, p. 76.

at this moment by the effects of the compromise tariff law, which introduced a new system of paying duties, the importers being compelled to pay at once and not, as heretofore, after six months' time. The consequence was that an increased demand for credit was occasioned, at the very moment that it could least be met.[1]

The bank immediately answered the move of the president by increasing a contraction already begun. In this it was justified.[2] The only question was how far the contraction was to go. The bank would certainly not be justified in contracting after its own safety was assured. Where this point was no one could say excepting the directors. The massing of statistics to prove that the bank went too far, or not far enough, is of little value, if taken alone, since the amount of contraction must be determined at each moment by the peculiar circumstances of that moment, and what might prove an ample reserve at one time would be totally insufficient at another. But supposing the directors to go beyond the point of safety, they would certainly be severely censurable, since, whether legally bound or not, they were morally bound to protect the business of the country from harsh shocks. It may be concluded, therefore, that though the president of the United States was responsible for the first contractions of the bank and for the sufferings resulting therefrom, the question of responsibility for later contractions and later sufferings remains open.

In attempting to determine in how far the board of directors was justified in its policy, the reader must remember that the unceasing hostility of the administration placed the bank in a very precarious position. The withdrawal of the

[1] Jaudon, writing to Biddle March 9, 1834, says: "We know that a great part of the present pressnre arises from the change in the system of duties and other causes that are temporary."—*B. P.* Hill, of New Hampshire, March 4, 1834, pointed out that the new system entailed a double payment of duties for one year after the law went into effect.—*C. D.*, Vol. X, Part I, p. 797.

[2] Bronson's opinion, already quoted, is conclusive on this head.

deposits was intended to weaken it and put it in the power of the state banks.[1] If the executive had shown willingness henceforth to let the bank alone, it would have been morally confined to more restricted limits in its contraction. But every fresh act of hostility necessitated a further reduction, in order to make the institution perfectly secure. As such acts continued, the task of dividing the responsibility for the panic of 1833–34 becomes more and more difficult. It is of importance, therefore, to determine just what further aggressive steps were taken by the administration, and what other events affected the judgment of the directors.

In the autumn of 1832 a run had been made on the Lexington branch, incited without doubt by political opponents.[2] In the autumn of 1833 a demand for $350,000 in specie was suddenly made upon the branch at Savannah, which could be met only because, the suspicions of the board having been aroused by the failure of the bank to receive the notes of the Savannah branch, it had sent large supplies of specie there. Biddle had no doubt that the administration was behind this attack.[3]

The dispute over the French Indemnity Bill aggravated the situation. The United States, in order to collect the first instalment of that claim, had on the 7th of February, 1833, sold to the bank a bill of exchange drawn upon the French government.[4] The amount was $903,565.89. The

[1] "*This boasting giant is now but a reptile beneath the feet of the secretary of the treasury, which he can crush at will.* It exists by his forbearance, and will, for the next forty days; and great forbearance will it require to save it from destruction."—Kendall in a letter to the New York *Standard*, Oct. 9, 1833, NILES, Vol. XLV, p. 297.

"You mention that the Merchants' bank drew $60,000 from the branch; this will be followed by other draughts, until the U. States bank will find it difficult to sustain the branch in your city. As things now are, that institution must keep means there to meet almost all its entire circulation, and it will have to become a great collector of specie from every quarter of the union, for the ultimate use of your bank, and others who may want it at New York."—Letter of A. Kendall, Oct. 18, 1833, *ibid.*, p. 299.

[2] *H. R.* 121, 22d Cong., 2d Sess., pp. 127-43; also Biddle to H. Binney, Dec. 3, 1833, *P. L. B.*, Vol. V, p. 35,

[3] It was due largely to the "Deposit Banks at New York that is the Treasury at Washington."—*Ibid.*

[4] McLane to Biddle, Feb. 7, 1833, *S. D.* 17, 23d Cong., 2d Sess., pp. 266, 267.

bank presented the bill in Paris, where payment was refused, and the bill went to protest.[1] The bank would have been dishonored if the firm of Hottinguer et C^ie^, its continental agent, had not taken up the bill for it. The bill was returned and the bank sent it to the secretary of the treasury, with a claim for the principal, interest, cost of protest, re-exchange, and damages at 15 per cent.[2] The claim of the bank to the damages was based upon a statute of Maryland, which was law in the District of Columbia.[3]

Secretary McLane at once paid the principal, but not the other items.[4] In answer to a letter from Biddle in June, Secretary Duane admitted the validity of all the other claims excepting that for damages, to which Attorney-General Taney declared that the bank had no claim either "in law or in equity."[5] Having given this opinion, Taney was requested to give his reasons for it, but so long as he was attorney-general he refused to give them.[6] Not only so, but after becoming secretary of the treasury he completely ignored the bank's claim. Woodbury when secretary followed Taney's example. Thus affairs stood from May 16, 1833, until July 2, 1834, on which date Secretary Woodbury finally declined to pay the damages.[7] The bank thereupon notified the secretary that the sum claimed would be deducted from the government's part of the semi-annual bank dividend.[8] On the 16th of July this was done, the amount plus interest to that date being retained.[9] The sum

1 Jaudon to McLane, April 26, 1833, *S. D.* 17, 23d Cong., 2d Sess., p. 271.

2 Same to same, May 13, 1833, *ibid.*, pp. 271, 272.

3 *H. R.* 312, 22d Cong., 1st Sess., p. 20.

4 McLane to Biddle, May 16, 1833, *S. D.* 17, 23d Cong., 2d Sess., p. 272.

5 Duane to Biddle, June 21, 1833, and opinion of Attorney-General Taney, May 24, 1833, *ibid.*, p. 273. The other items were all paid.—2 HOWARD, 734.

6 Duane to Taney, Aug. 14, 1833, *S. D.* 17, 23d Cong., 2d Sess., p. 273; Taney to Duane, Aug. 15, *ibid.*, p. 276; Duane to Taney, Aug. 16, *ibid.*; Taney to Duane, Aug. 16, *ibid.*, p. 277.

7 Biddle to Woodbury, July 8, 1834, *ibid.*, p. 279.

8 *Ibid.*

9 Jaudon to Woodbury, July 16, 1834, *ibid.*, p. 281.

was $170,041.18. The bank's action was the only one left to it, since the administration refused either to pay or to submit the question to a judicial decision,[1] and could not be sued. Consequently the corporation was bound to retain the money if the claim was ever to be adjudicated. The directors justified the demand for the damages by the "universal and inflexible rule of the Treasury department," which had always compelled the payment of the damages in cases of this character.[2] Their action was good business, but bad politics, for it gave the administration a chance to charge the corporation with seizing public funds, and thus increased its unpopularity.

The retention of the dividend, however, brought the desired response from the administration. Secretary Woodbury censured the act of the corporation in an acrimonious letter,[3] while Attorney-General Butler drew up reasons in support of Taney's assertion that the bank's claim had "no foundation in law or in equity."[4] The government then instituted suit to recover the dividend withheld, and in the circuit court for Pennsylvania won its case on the fine distinction that the bank was an indorser and not the holder of the bill.[5] This decision was reversed by the Supreme Court in 1844,[6] which expressed the opinion that the United States was bound, both by law and equity, to pay the damages.[7] The case was retried in the lower court in 1847, but came again before the Supreme Court on a writ of error, the government claiming that as a sovereign power it was not subject to the law merchant. The court affirmed this view,

1 Woodbury to Biddle, July 8, 1834, *ibid.*, p. 281.

2 See Girard's case, where under the law of Pennsylvania the government collected 20 per cent. damages for a protest of two of Girard's bills on Paris.—*Ibid.*, pp. 258–61. See also other cases, *ibid.*, pp. 261–3.

3 Woodbury to Biddle, Dec. 11, 1834, *ibid.*, p. 284.

4 Butler to Woodbury, Nov. 28, 1834, *S. D.* 2, 23d Cong., 2d Sess., pp. 57 ff.

5 See 2 HOWARD, 733, review of the case by Justice McLean.

6 Taney, C. J., did not sit.

7 2 HOWARD, 734 ff. January term, 1844.

and judgment was entered against the bank.[1] This ended the matter. It is only necessary to add that the nation's honor was forfeit by the refusal to pay the damages. On precisely the same plea it might have refused to pay the principal and interest.

At the time of the withholding of the deposits, members of the administration naturally feared retaliatory measures. To avert any injury likely to accrue to the state banks, Taney resolved to protect them by intrusting to certain of the deposit banks drafts for large amounts on the public funds left in the Bank of the United States. These sums were to be drawn for if the institution called upon the state banks for payments of balances due in coin, or refused to receive branch notes given in payment of government dues at places where they were not made payable.[2] The Union Bank of Maryland received three drafts for the sum of $100,000 each;[3] the Girard Bank of Philadelphia, one draft for $500,000; and the Bank of America, the Mechanics Bank, and the Manhattan Company Bank of New York city, each one draft for $500,000.[4] Thus fortified, it was calculated that any "superfluity of naughtiness" of which the Bank of the United States might be guilty in trying to draw specie from banks which owed specie but had no specie, could be met and turned to the discomfiture of the aggressor.

The Union Bank of Maryland received its three drafts on the 3d and 4th of October; on the 5th it concluded that the time for action had come, and presented two of them, one at Baltimore and the other at Philadelphia. The pre-

[1] 5 HOWARD, 394 ff. Taney and Woodbury were both on the bench at the time. Neither sat.

[2] The cashing of these drafts constitutes all the removal of deposits there ever was. The rest of the government funds in the bank were withdrawn in the ordinary course of paying government debts.

[3] Taney was a stockholder in this bank.—Taney to the Senate, April 3, 1834, *S. D.* 238, 23d Cong., 1st Sess., pp. 18, 19.

[4] Taney to deposit banks, Sept. 3 to Oct. 4, 1833, *S. D.* 16, 23d Cong., 1st Sess., pp. 321, 322, 329, 337, 338.

text for this astonishing action was that the Bank of the United States had demanded coin from the Baltimore banks.[1] The truth was that the Union Bank was in straits.[2] Its president admitted that he had departed from the secretary's instructions, having swelled his discount list enormously, but pleaded the justification of the necessity of helping the commercial interests.[3] His action embarrassed Taney, but he did not hesitate to repeat it, and had the third draft cashed at Baltimore on the 4th of November, the Bank of the United States having drawn on the Union Bank for $125,000 owed to it by that institution.[4]

The Girard Bank received its check on the 3d of October, and with this security against calls for specie boldly proceeded to expand its business. By the 10th of October the bank had done this to such a degree that it had "made a very sensible impression on the moneyed market"[5]—such a "sensible impression," indeed, that it had placed itself in a position where the use of the draft was almost necessary for its own safety. In this state of affairs it besought permission to have the draft cashed if it thought circumstances demanded, without waiting for any decided attack on the part of "the monster."[6] The president of the bank believed that it ought to continue to extend its operations and, if the

1 Ellicott to Taney, Oct. 8, 1833, *ibid.*, p. 327.

2 Kendall thus explains the "transfer draft" transaction at Baltimore: The drafts were cashed before Taney had a chance to receive an explanation. Ellicott, at Taney's request, came to Washington. Kendall was present at the interview. Taney wanted to know why the drafts had been cashed. "Mr. Ellicott made a stammering, incoherent statement about transactions in connection with a bank in Tennessee, and upon his conclusion Mr. Kendall said, 'If I understand you, Mr. Ellicott, you have used those government funds to sustain a stock speculation.' To this statement of the case, Ellicott virtually assented." Taney was much annoyed, Ellicott being his special adviser on financial subjects.—KENDALL, *Autobiography*, p. 389. See pamphlet *Bank of Maryland Conspiracy*, by ELLICOTT, for an explanation of the affair, pp. 68–75.

3 Ellicott to Taney, Oct. 8, 1833, *S. D.* 16, 23d Cong., 1st Sess., p. 328.

4 Cashier Mickle to Taney, Nov. 4, 1833, *ibid.*

5 President Schott of the Girard Bank to Taney, Oct. 10, 1833, *ibid.*, p. 332.

6 *Ibid.*, pp. 332, 333.

Bank of the United States called for specie, present the check. On November 2 the Girard Bank owed the Bank of the United States $149,000, and the time for action had come. Biddle was given his choice: either to permit the Girard Bank to continue its course, by not calling for the payment of the balances in coin, or to pay the $500,000.[1] He insisted that the draft be cashed.[2] He feared that by chance or design these large sums might be called for at a time or at a place where they could not be paid.

The three banks in New York acted in concert. On the 16th of November they concluded that it was necessary to present one of the drafts for $500,000, the bank having at that date drawn on the banks of the city for over $100,000.[3] The Manhattan Bank, therefore, presented its draft on the 18th and received prompt payment.[4] Taney had now become anxious about the remaining drafts, and desirous of having them returned to him.[5] On the 21st of November, therefore, one of them was remitted to Washington,[6] and no further use was made of this means of protection or offense.

The particular atrocity of this mode of granting to deposit banks the means of drawing heavily upon the Bank of the United States lay in the fact that no notice was given that institution that these drafts were out; and a sudden call for sums ranging from $100,000 to $1,500,000 might have ruined it. Yet this was not all. The bank had always been furnished with a weekly list of treasury drafts issued[7] and also from 1829 with a daily list of all warrants out.[8] It

1 Schott to Taney, Nov. 2, 1833, *S. D.* 16, 23d Cong., 1st Sess., p. 333.

2 Same to same, Nov. 2, 1833, *ibid.*, pp. 334, 335.

3 Newbold to Taney, Nov. 16, 1833, and White to Taney, Nov. 18, 1833, *ibid.*, p. 349.

4 White to Taney, *ibid.*

5 Taney to Newbold, Nov. 16 and Nov. 20, 1833, *ibid.*, pp. 341, 342.

6 Newbold to Taney, Nov. 21, 1833, *ibid.*, p. 351.

7 Jaudon to Campbell, Nov. 5, 1833, *ibid.*, p. 358.

8 Same to same, Nov. 15, 1833, *ibid.*, p. 359.

had a right to expect that this would continue to be the case until notice annulling the arrangements was given. As a matter of course, the daily business of the institution was conducted with the lists of warrants and drafts always in view, and with the certainty that the bank was thus prepared for all calls from the government. Now in these lists no information had been given of the drafts issued by Taney.[1] The treasurer, in answer to Jaudon's remonstrances, acknowledged that lists were furnished to the bank, but defended the action of Taney on the ground that these were special drafts. If they had been included in the lists, the sums would have been at once deducted from the treasurer's account, and it was hoped all along that no necessity would arise for their use. They were "contingent drafts."[2] To a further communication of Jaudon's the treasurer answered that the agreement was to give daily notice of warrants drawn, but not of "transfer drafts."[3] To this subterfuge Jaudon replied by showing that the drafts were not in any sense transfer drafts, but warrants. Admitting, however, the treasurer's contention that they were not warrants, and therefore not placed on the daily lists, yet all drafts appeared on the weekly lists.[4] To this the treasurer had no reply, and so discreetly made none.

In January, 1834, the administration took another aggressive step. Congress, by an act of the 3d of March, 1817, had transferred to the bank the functions of the commissioners of loans, including the duty of paying all pensions in states where it had branches. Where it had no branches it was to designate the state banks which should act as pension agents.[5] An attempt was now made to deprive the

1 Same to same, Nov. 5, 1833, *ibid.*, p. 358.

2 Campbell to Jaudon, Nov. 8, 1833, *ibid.*, p. 354.

3 Same to same, Nov. 25, *ibid.*, pp. 355, 356.

4 Jandon to Campbell, Dec. 9, 1833, *ibid.*, p. 361.

5 *Statutes at Large*, Vol. III, p. 360, chap. 38. Charter, sec. 15. See Appendix I.

bank of the exercise of its functions in respect to certain pension laws. This was not the first time that something of the sort had been tried. In 1829 the transfer of the pension funds from the branch at Portsmouth had been attempted, but the effort failed.[1] In 1831 a similar attempt was made to remove the pension agency at New York to Albany. The bank again remonstrated,[2] and in March, 1832, Secretary Cass admitted that in his opinion the War Department was "not warranted in appointing a pension agent, in any State or Territory, where the United States Bank has established one of its branches."[3] In 1834 the action was based on a new plea. The administration contended that the acts of May 15, 1828, and June 7, 1832, were not pension acts, strictly speaking, but that they were laws allowing *pay* to the old Revolutionary veterans. Of course, for the sake of convenience, these sums were treated as pensions; and the pension office had control of the payments, and the pension agencies disbursed them. But all this was simply because they were like pensions, not because they were pensions.[4] Accordingly, on January 2, 1834, the commissioner of pensions ordered the bank to give up the books, accounts, and funds relating to pensions disbursed under the act of June 7, 1832.[5] The bank bluntly refused to do so.[6] President Jackson was in a towering rage, and on the 4th of February communicated to Congress his complaint.[7] As a matter of course, the Senate decided that the bank was in the right and the House declared that the

[1] Secretary Eaton to President Mason, Aug. 3, 1829, and J. L. Edwards to same, Aug. 25, 1829, *H. R.* 460, 22d Cong., 1st Sess., pp. 476–9.

[2] Biddle to the acting secretary of war, July 15, 1831, *ibid.*, p. 481.

[3] Cass to Biddle, March 1, 1832, *ibid.*, p. 489.

[4] Argument of Attorney-General Butler, Feb. 3, 1834, *H. R.* 263, 23d Cong., 1st Sess., pp. 10–22. See also *Opinions of the Attorney Generals.*

[5] *Ex. Doc.* 78, 23d Cong., 1st Sess., p. 23.

[6] Biddle to secretary of war, Jan. 23, 1834, *H. R.* 263, 23d Cong., 1st Sess., p. 22.

[7] *C. D.*, Vol. X, Part I, pp. 461, 462; Part II, p. 2615.

bank was in the wrong.[1] In this state of affairs there was no means of compelling the corporation to accede to the demands of the administration, and it did not yield.

This issue was skilfully made so as to bring odium upon the bank. The commissioner of pensions had not only ordered the institution to deliver the books and papers, but also to pay no more pensions under the act of June 7, 1832.[2] The secretary of war assenting to this order, no pensions were paid under the act. The result was that many poor veterans of the Revolution could not draw their meager allowances when they needed them. The blame for this deprivation fell entirely upon the bank, though the fault was with the government.[3] It is easy to imagine that many people were much moved over an act which seemed oppressive to the aged soldiers, while the enemies of the bank made effective political capital out of the situation. It "will not spare the holy remnant of the officers and sires of the revolution," declared Senator Wilkins, with maudlin pathos. "So sweeping and unsparing are they determined to make the distress, that even a solitary soldier of the revolution cannot escape."[4] The same tone of injured indignation was employed by all the Democrats.

Webster accordingly urged Biddle to surrender the funds. "The Attorney General's argument," he wrote, "is a weak one; it is easy to demolish it, as an argument. But, after all, it is a bad subject to dispute about. The pensioners

1 Report of Senator Clayton, *S. D.* 92, 23d Cong., 1st Sess., and Polk's report, *H. R.* 263, 23d Cong., 1st Sess.

2 *Ex. Doc.* 78, 23d Cong., 1st Sess., p. 23.

3 "If any inconvenience should be felt by any of those veterans of the revolution, as the committee believe it will be by all by the delay which will take place in the payment of the next annuity due to them, it is to be attributed to the unjustifiable conduct of the Bank in interposing to thwart the views of Government, in withholding from the officers of Government the public money and public property, to which they do not pretend to have any claim. The committee cannot condemn in terms too strong the conduct of the bank in this transaction."—Polk's report, *H. R.* 263, 23d Cong., 1st Sess., p. 7.

4 Feb. 6, 1834, *C. D.*, Vol. X, Part I, p. 489.

will not believe that the 'Old Soldier' is the cause of keeping back their money," therefore it would be "better to give up the fund and the papers."[1] In this opinion he was heartily supported by Representative Gorham.[2] The advice fell upon deaf ears. The bank had the support of the law, and it would not yield. Woodbury, in his report of December 12, 1834, remarks that the bank is still employed to pay pensions, "under an impression that it had . . . . a right to perform these duties, until relinquished by its own consent, or until the acts were repealed." He is careful to add that the two acts in dispute are not regarded in this light,[3] and the administration persisted in paying these pensions, though under almost insurmountable difficulties.[4]

Another cause of strife was found in the acts of the government directors. Jackson believed that these directors were designed by the charter to keep a watchful eye upon the acts of the bank in the interest of the public,[5] and, since he was the representative and the custodian of the public's interests, to report to him if they had any reason for suspecting abuses or mismanagement. In 1833 Messrs. Gilpin, Wager, Sullivan, and McElderry, government directors, sharing his opinion, forwarded to him reports respecting those transactions of the bank of which they did not approve.[6] Moreover, they systematically opposed the other directors in regard to the powers of the exchange committee, the authority of the president, the curtailments in the

[1] Webster to Biddle, Feb. 12, 1834, *B. P.*

[2] Webster to J. G. Watmough, Feb. 12, 1834, *ibid.* Gorham added a note to Webster's letter.

[3] *S. D.* 13, 23d Cong., 2d Sess., p. 3.

[4] Biddle to A. Porter, June 20, 1834, *P. L. B.*, Vol. V, p. 240.

[5] This opinion finds support in the debates when the bank was chartered. See WRIGHT'S argument, *A. of C.*, 14th Cong., 1st Sess., Vol. I, p. 1118, and FORSYTH'S, *ibid.*, p. 1144.

[6] Papers A and B, April 22, 1833, and Aug. 19, 1833, *S. D.* 2, 23d Cong., 1st Sess., pp. 22 ff. See also their memorial to Congress, Dec. 9, 1833, *Ex. Doc.* 12, 23d Cong., 1st Sess., pp. 1 ff.

West, and the measures taken against the administration.[1] Naturally they were not welcomed at the board in Philadelphia, nor taken into the complete confidence of Biddle and his coadjutors, nor appointed to the important committees of the bank.[2]

In these circumstances, Jackson renominated all of them as government directors for the year 1834.[3] Biddle was immediately in arms, and wrote long letters to all the senators friendly to him, urgently pressing the rejection of the nominations.[4] "They are people unfit to be there [*i. e.*, in the directorate] — unfit to associate with the other members — so that their colleagues will not confer with them — or act with them on committees."[5] The board "having no confidence in them, they were not allowed to know anything."[6] He also wanted Taney's nomination to the Treasury Department rejected.[7] Webster remonstrated against these measures, advising as little opposition to persons as possible.[8] Again his good advice went unheeded. The strong-willed president of the bank had his way, and the Senate finally rejected Taney's nomination, and refused by a vote of 20 to 25 to concur in the nominations for government directors.[9] The president, inflexible as always, returned the names to the Senate,[10] and again it refused by a vote of 11 to 30 to concur.[11]

[1] See their reports, *ibid.*

[2] Third paragraph of Paper A, report of April 22, 1833, pp. 22, 23.

[3] Jackson to the Senate, Dec. 17, 1833, *S. D.* 333, 23d Cong., 1st Sess., p. 1.

[4] To N. Silsbee, T. Ewing, D. Webster, George Poindexter, H. Clay, Dec. 23, 1833, *P. L. B.*, Vol. V, pp. 56-9.

[5] Biddle to Webster, Dec. 20, 1833, *ibid.*, p. 60. Binney in the House in January, 1834, intimated that it might be difficult to get gentlemen to sit beside the government directors.—*C. D.*, Vol. X, Part II, p. 2357.

[6] Biddle to Watmough, Jan. 6, 1834, *P. L. B.*, Vol. V, p. 81.

[7] Biddle to Webster, Dec. 20, 1833, *ibid.*, p. 60.

[8] Webster to Biddle, Dec. 13, 1833, *B. P.*

[9] *S. D.* 333, 23d Cong., 1st Sess., p. 3, Feb. 27, 1834.

[10] *Ibid.*, p. 4, March 11.

[11] *Ibid.*, p. 15, May 1.

In the end, Jackson made other nominations. Two of the nominees, Messrs. Ellmaker and Tibbetts, were disqualified as not being stockholders, and were therefore refused seats at the board.[1] Three other gentlemen declined appointments, and accordingly for the year 1834 the government had only two directors.[2] On the 14th of October Jackson notified them that he wanted certain information regarding the expenses and profits of the bank.[3] They at once made a call for the necessary books, adding that they sought information for the use of the president of the United States.[4] Thêir right to examine the books was incontestable, yet the bank could not permit these to be used to secure information which would be employed to injure the institution, and Biddle wrote Jaudon that they must not be permitted "to look at any thing."[6] Hence the cashier refused their request.[5] They immediately sent in a complaint to Jackson.[7] This again placed the bank in a bad light before the people. If there was nothing to conceal, nothing to fear, why this refusal? Besides, the refusal itself was an infringement of the rights of the government directors. To these arguments the bank had no adequate defense.

Then there were fresh difficulties created in reference to the branch notes and drafts. Benton declared that the bank had conspired to embarrass the state banks and the nation by refusing to receive the notes of distant branches.[8] Nothing could be more inaccurate. It is true that the officers of the branches at New York, Mobile, and Balti-

[1] *S. D.* 17, 23d Cong., 2d Sess., pp. 35, 291-6. [2] *Ibid.*, p. 35

[3] *Ex. Doc.* 45, 23d Cong., 2d Sess., p. 1. [4] Letter of Oct. 24, 1834, *ibid.*, p. 4.

[5] "If during my absence the Government Directory either singly or together should wish to look at any thing, books, papers, &c, they should be told that it cannot be seen without application to the Board. If they apply to the Board, refuse it positively whatever be the consequences."—Biddle to Jaudon, Newport, July 16, 1834, *B. P.*

[6] Letter of Oct. 29, 1834, *Ex. Doc.* 45, 23d Cong., 2d Sess., p. 2.

[7] *Ibid.* The letter of Oct. 29 detailed the whole proceeding.

[8] *C. D.*, Vol. X, Part I, pp. 106, 107.

more had shown an inclination not to receive notes of other branches from the state banks.[1] But they had never received all branch notes at par from these banks, and their only intention was to continue the usual custom.[2] But a new face was put upon the matter since the "pet banks" now received the revenue and most of the revenue was paid in "uncurrent notes"[3] of the Bank of the United States.[4] When the bank had received the revenue it necessarily took all its notes in payment of revenue at par, since they were offered on behalf of the government. Now, however, if the old plan of not accepting such notes at par from the state institutions was continued, the revenues collected by them would be redeemed by the Bank of the United States at a loss to the state banks. Again, such action might nullify one great purpose of a bank's establishment — the purification of the currency — for if the bank should refuse to receive its notes at par, from the state banks, they would depreciate to a considerable extent, since all the notes which used to come to it from the revenues came to it now from the state banks. Was not the bank bound to receive these notes as coming indirectly from the government? The state banks thought so,[5] and the government concurred in the opinion.[6] On the other hand, if it did receive them it threw down all restrictions on the receipt of the issues of its branches, for there was no method by which it could discriminate notes received by the state banks in payment of duties from those received in the ordinary course of business.

1 *Ibid.*, and *S. D.* 24, 23d Cong., 1st Sess., pp. 2–4, 7.

2 Letters of Oct. 1, 2, and 5, 1833, *S. D.* 17, 23d Cong., 2d Sess., pp. 120, 123.

3 Notes of other offices not taken at par from state banks or individuals.

4 Fleming to Taney, Oct. 2, and White to Taney, Oct. 5, 1833, *S. D.* 16, 23d Cong., 1st Sess., p. 345; see also *S. D.* 17, 23d Cong., 2d Sess., p. 124.

5 Newbold to Taney, Oct. 2, 1833, *ibid.*, p. 344; cashier of Union Bank of Maryland to cashier of branch of the Bank of the United States, *ibid.*, p. 325. See also *S. D.* 24, 23d Cong., 1st Sess., pp. 2–4, 7.

6 Taney to banks in Philadelphia and Baltimore, Oct. 3, 1833, *S. D.* 17, 23d Cong., 2d Sess., pp. 321, 329.

Consequently it would have to redeem all notes offered by the state banks. This was the position which it was finally forced to take. It was actually compelled to give to its branch notes a greater currency than ever before, receiving them from everybody at their face value at all the Atlantic offices.[1] It did this because it feared by doing otherwise to create a demand upon distant, unprotected branches.[2]

In regard to the branch drafts, the president repeatedly threatened that he would prohibit their receipt in payment of government dues.[3] A rumor that such action would be taken was current as early as February 8, 1833.[4] The directory fully expected that orders to cease receiving them would be issued in January, 1834, and adverted to the fact as a reason for further contraction.[5] The supporters of Jackson further justified the bank in contracting its business by "loudly calling upon those who" took "part with them to collect and present the notes of the bank of the United States, for payment in coin." [6]

The foregoing acts of the administration must be kept clearly in mind in reviewing the action of the bank in 1833–34. These measures show the temper of Jackson and his allies, and they palliate, to some extent, whatever retalia-

1 "And until such instructions are given, we wish you to receive all the issues of the bank and offices that may be offered to you, from whatever quarter the tender may be made."— Cashier of the Bank of the United States to the cashier of the New York office, Oct. 5, 1833, *S. D.* 17, 23d Cong., 2d Sess., p. 123; see also NILES, Vol. XLV, p. 97.

2 "One of the grounds upon which the committee determined that no refusal to receive branch notes ought to be made was, that the issues of the offices ought to be paid at the points where the offices had provided the means, and that their provision having been made at the Atlantic cities principally, it was not right to throw their notes back upon them."—Cashier of the Bank of the United States to cashier of Baltimore office, Oct. 8, 1833, *S. D.* 17, 23d Cong., 2d Sess., pp. 123, 124.

3 Jackson to Baltimore committee, Feb. 6, 1834, NILES, Vol. XLVI, p. 31; to Philadelphia committee, Feb., 1834, *ibid.*, p. 9.

4 *Ibid.*, Vol. XLV, p. 393; Webster, *C. D.*, Vol. X, Part I, p. 542.

5 Biddle to presidents of the branches, Jan. 22 to Feb. 1, 1834, *S. D.* 17, 23d Cong., 2d Sess., pp. 77–83.

6 NILES, Vol. XLV, p. 393, Feb. 8, 1834.

tory measures the bank adopted. They furnished plenty of reason for taking steps to protect its interests. Indeed, there could be but one policy to follow in any case, for the institution expected to go out of existence in March, 1836. It ought, therefore, to diminish its operations.

CHAPTER XIII

THE CONTRACTION AND PANIC OF 1833–34

THE bank's operations to curtail began on the 13th of August, 1833, and ceased effectually on the 11th of July, 1834,[1] and entirely on the 16th of September. It will be noticed that the curtailments began before the deposits were removed, and this was one of the bitterest charges of the bank's enemies.[2] Justification, if justification were needed, was found in the bank's knowledge that the deposits would probably be removed. Biddle was not afraid, but considered caution desirable:

> Although we do not feel anxious as to the movements at Washington touching the Bank, still it is thought prudent to prepare for any adverse event and accordingly we have this day given instructions to the Branches to keep their discounts at their present amount—and to shorten the time for which they buy bills of exchange. This will make the institution strong and if any sudden movement is attempted by the cabinet, proper or improper, we shall be ready.[3]

The contraction took two directions—the amount of money loaned on discounts was not to be increased, and bills of exchange were to be drawn only at short dates, and mostly on the eastern offices. These measures would not only result in a contraction, but would also render assistance in the work of winding up the bank's affairs, for the bills of exchange bought on the East would transfer the bank's capital to that part of the country,[4] while the discounts, being

[1] Tyler's report, *S. D.* 17, 23d Cong., 2d Sess., pp. 16–18.

[2] BENTON, *C. D.*, Vol. X, Part I, p. 106.

[3] To Webster, Aug. 13, 1833, *P. L. B.*, Vol. IV, p. 526.

[4] Report of Committee on Offices of the Bank, April 8, 1834. *S. D.* 17, 23d Cong., 2d Sess., p. 98.

kept stationary, would aid in putting an end to the local business of the branches. As discounts would not, in the normal course of business, go higher until the late autumn months,[1] there was little hardship in this part of the policy. The question of real reduction was involved in the orders relating to bills of exchange. Bills were to be purchased at a term of only ninety days. The western offices might, it is true, draw at four months for the purpose of paying a debt already existing, but not otherwise. Such bills might be drawn on whatever branch could secure the money to pay them, but all others were to be payable at the Atlantic offices.[2] This order evidently looked toward a reduction in the bank's loans,[3] for it put an end to the drawing of the western offices on each other, and materially shortened the term of bills. The whole movement was justifiable, and was intended only for the protection of the bank.

This first effort to lessen business was soon followed by more stringent measures. On the 24th of September, President Jackson's "paper" having been made public meanwhile, a committee of seven directors was appointed to "take into consideration what measures" were necessary "in consequence of the recent intimations that the deposites of the

[1] It must be recollected that the bank's business always fell off in the summer months, and always rose in the autumn and winter months, and therefore, when it is found falling in these latter months, one may conclude either that the course of business is unusual, or that the bank's curtailments are very effective.

[2] "1. *Resolved*, That for the present, and until the further order of the board, the amount of bills discounted shall not be increased at the bank and the several offices.

"2. *Resolved*, That the bills of exchange purchased at the bank, and all the offices, except the five western offices, shall not have more than ninety days to run.

"3. *Resolved*, That the five western offices be instructed to purchase no bills of exchange, except those payable in the Atlantic cities, not having more than ninety days to run, or those which may be received in payment of existing debts to the bank and the offices, and those not having more than four months to run."—*Ibid.*, p. 73.

[3] "Whatever of restriction they [*i. e.*, the orders] contain, will, I trust, be temporary."—Circular, Aug. 13, 1833, addressed to all the offices with the exception of the five western branches.

"It is a subject of regret to be obliged to impose any restraint on your business, especially on your operations in exchange, to which we attach a particular value." —Letter addressed to the presidents of the five western branches, *ibid.* pp. 73, 74.

withdrawl

government are to be removed."[1] The committee's report was adopted October 1. At this crisis the bank had many fears. It had reason to anticipate that the public funds still in its vaults would be removed; that a demand upon it for specie would be created, since the revenue would be collected by the selected banks largely in its paper; and that its circulation would be forced in by the action of the administration, which might create a panic among its note-holders. It was justified, therefore, in taking further steps to restrict its business.

The plan now adopted had three objects: to reduce discounts; to extend the restrictions on the drawing of bills to all the offices; and to collect the balances against state banks, while restricting the receipt of state-bank notes.[2] Even now Biddle held that the orders were not intended to produce an excessive scarcity of bank accommodations. On the day that the resolutions were adopted he wrote:

> We are all satisfied that the best thing to be done is to do as little as possible. The exchange operations are placed by the resolutions passed to-day on a proper footing. We do not give any instructions as to reducing the local discounts,[3] but we shall reduce ours at the Bank, and if you can gradually diminish yours without exciting uneasiness among our customers it would be very good policy. Our wish is not to give an order to that effect lest it might create alarm, but to do it quietly and imperceptibly.[4]

The reduction of discounts was to be made by the 1st of January,[5] and was to aggregate $5,825,906.74.[6] The distribution of the curtailment is instructive. In New England the amount was to be only $237,000; in the southeastern states, $938,900; in the valley of the Mississippi and its tributaries, $2,204,200; in the middle states, $2,445,000. The five western offices were to contract to the extent of

[1] *S. D.* 17, 23d Cong., 2d Sess., p. 74.

[2] Documents 5 and 6, *ibid.*, pp. 74, 75.

[3] *I. e.*, at New York.

[4] Biddle to Lenox, Oct. 1, 1833.

[5] See circular of Oct. 12, 1833, *ibid.*, p. 75.

[6] *Ibid.*, p. 94.

$1,156,700. It will thus be seen that by far the greatest contraction in proportion to business done was to take place at these offices.[1] The heaviest proportional reductions were to be at Natchez and Nashville.[2]

In respect to bills of exchange, six more branches were placed under the restrictions imposed upon the five western ones in August, while the others were to purchase bills only on the Atlantic cities, New Orleans, and Mobile, and at ninety days.[3] Exchange business was necessarily limited by this short period and by the limitation of time and place in drawing bills. The main restriction imposed in October, however, was caused by a rearrangement of the rates of exchange. They were made 1 per cent. from the western offices upon all others except those on the Atlantic, on which bills could be drawn at ½ per cent.; 1½ per cent. on the West from the eastern offices or from those at New Orleans and Mobile. These measures were intended to force the buying of bills on the East, thus bringing home the capital of the bank and restricting the bill business very materially.[4]

[1] These reductions are severe, yet they do not include reductions which would necessarily ensue upon the observance of the restrictions placed upon exchange business. Hence the curtailment was intended to be more considerable than appeared on the surface.

[2] This latter branch was given the privilege of renewing old bills at six months instead of four.—*Ibid.*, p. 76. Nashville was the center of the bad banking of the West.

[3] "1. *Resolved*, That the resolution of the 13th August last, relative to the purchase of bills of exchange at the five western offices, be extended to the offices at Burlington, Utica, Buffalo, Pittsburgh, Natchez, and New Orleans.

"2. *Resolved*, That all the other offices be instructed in like manner, not to purchase bills of exchange, except on the Atlantic cities, and New Orleans and Mobile, not having more than ninety days to run."—*Ibid.*, p. 74.

[4] "3. *Resolved*, That the rates of collection and purchase of bills of exchange, at the bank and the several offices, be increased, so that they shall be as follows:

"One and a half per cent. from the Atlantic offices to the western offices.

"Half per cent. from the western offices to the Atlantic offices.

"One per cent. from the Atlantic offices to the New Orleans and Mobile offices.

"One per cent. from the New Orleans and Mobile offices to the Atlantic offices.

"One per cent. from one western office to another western office.

"One per cent. from the western offices to the New Orleans and Mobile offices.

"One and a half per cent. from the New Orleans and Mobile offices to the western offices.

State-bank balances and dealings with state banks constituted the third subject on which action was taken. No branch was to take the notes of the state banks outside of the city in which it was established. The debts due by these banks were to be collected in specie or in drafts on the Atlantic cities, and balances were not to be permitted henceforth to accumulate.[1] This action would create intense pressure on the state banks, since specie was hard to obtain, and drafts on the East meant precisely the same thing.

Whatever Biddle might say, these orders were certain to create pressure. All the measures were harsh. The reduction in discounts was immense, and was to be compassed in a brief period. If it were successful, much suffering was inevitable; the dealings in exchange as restricted would occasion even more distress, while the action against the state banks would compel them to contract, and thus increase the pressure. On the whole, nothing but peril to the bank could excuse these measures.

The attempt to curtail did not end here. On the 17th of October a second circular was issued to the branches in the West and a few others, urging perseverance in "the course of measures already prescribed," while the contraction was aggravated by two additions. Drafts on the northern Atlantic offices were to be avoided, and an extra attempt was to be

"One per cent. from an office north of Washington to an office south of Washington.

"One per cent. from an office south of Washington to an office north of Washington.

"Quarter per cent. from the offices north of Washington to each other.

"Half per cent. from the offices south of Washington to each other.

"Subject to such modifications at the respective offices as the Committee of Exchange of this bank may deem expedient."—*S. D.* 17, 23d Cong., 2d Sess., p. 74.

[1] "4. *Resolved*, That no notes of State banks be received on deposite, except of such as are established in the same place with the office receiving them, but they may be received at the discretion of the office in payment of a pre-existing debt. *Provided*, that the notes of such State banks as by arrangement keep a balance at their credit, for the redemption of their notes may be received as heretofore.

"5. *Resolved*, That all the balances due by distant State banks be collected either in specie, or in drafts on the Atlantic cities, and that such balances be not permitted to accumulate."—*Ibid.*, p. 75.

made to keep down circulation.[1] Not satisfied with this, a further contraction in discounts was ordered on January 23, 1834, to the sum of $3,320,000, to be completed by the first days of March and April.[2] As before, the largest reduction was to take place at the western and southwestern offices.[3] New regulations were also imposed upon the exchange business. The localities on which bills could be drawn were still further limited. Henceforth the western offices were to draw only on New Orleans, Baltimore, and the Atlantic offices north of Baltimore, and such bills must be for only ninety days.[4] These instructions thus prohibited the western offices from drawing on one another, while the New Orleans office was forbidden to purchase bills "payable at places in the Mississippi."[5] These measures were rendered still harsher by another increase in the rate of exchange, which was again regulated so as to discriminate sharply against the western branches. The rate went up 1 per cent. for all bills drawn on these offices, no matter from what part of the Union.[6]

[1] Circular of Oct. 17, *ibid.*, p. 77. Biddle feared some action against the bank's circulation on the part of the government.—To R. Lenox, of New York city, Oct. 1, 1833, *P. L. B.*, Vol. V, p. 16.

[2] Letters to the offices, *S. D.* 17, 23d Cong., 2d Sess., pp. 77-83, 94.

[3]

Mississippi valley	$1,600,000	Middle states	$1,020,000
New England	200,000	Southern states	500,000

[4] "To purchase no bills of exchange except

"First. Those payable in Baltimore, and the Atlantic cities north of it not having more than ninety days to run to maturity. . . . .

"Second. Those payable in New Orleans, having not more than ninety days to run to maturity."—Biddle to western offices and office at Natchez, Jan. 22, 1834, *ibid.*, p. 77.

[5] Biddle to Montgomery, Jan. 24, 1834, *ibid.*, p. 81.

[6] Increase in rate of exchange:

	In October, 1833	In January, 1834
Atlantic offices to five western	1½	2½
Western offices to Atlantic	½	½
Atlantic to New Orleans and Mobile	1	2
West to West	1	forbidden
New Orleans and Mobile to West	1½	forbidden
North of Washington to south of Washington	1	1
South of Washington to north of Washington	1	1
West to New Orleans and Mobile	1	2, to N. O. alone
North of Washington to north of Washington	¼	¼
South of Washington to south of Washington	½	½ and 1

—*Ibid.*, pp. 74, 75, 77–83.

These restrictions would be severely felt, for it was here that distress would be most easily produced, since by breaking up the system of bill purchases in the western and southwestern cities pressure would immediately be exercised upon those whose accommodations were entirely in this species of loan. It must be remembered, too, that the purchase of bills was frequently an operation by which the planter secured the means of growing his crop, and that when these means were refused he was immediately at the end of his resources. Not only so, but individuals who were accommodated had to pay very heavily for the favor. Finally, those who had been accustomed to transfer funds by means of the bank's system were so heavily charged that it became more profitable to pay for the carriage of specie than to buy drafts. In short, the breaking up of the exchange system of the bank created immediate and widespread distress.

These various measures remained in full force until the 11th of July, 1834, when it was determined that the bank's business in discounted notes should suffer no further diminution,[1] but, on the other hand, it was not to be increased.[2] The restrictions on exchange were affected but slightly. New York was permitted to purchase bills on the southern and southwestern offices at four months, and to any amount. But the rate of exchange was not diminished; and, indeed, for bills drawn at over ninety days the rate was to be $\frac{1}{2}$ per cent. higher.[3] Trade in western bills was still discouraged.[4] In the month of September all restrictions were at last removed.

[1] "Resolved, That the instructions hitherto given for a reduction of the amount of bills discounted at the bank and the several offices, are hereby revoked; and that the line of bills discounted at the several offices shall, until the further order of this board, remain at its present amount."—*S. D.* 17, 23d Cong., 2d Sess., p. 84.

[2] Even before this, special exceptions had been made in favor of New York and Louisville.—*Ibid.*, pp. 111, 112.

[3] Eyre to Lawrence, July 18, 1834, *ibid.*, p. 85.

[4] Eyre to Pittsburg branch, Aug. 1, 1834, *ibid.*, p. 86.

Taking all the measures together, and from the 1st of August, 1833, to the 1st of April, 1834, a reduction in discounts had been contemplated to the amount of $13,300,000—a preposterously large sum. To this must be added the restriction occasioned by the breaking up of the exchange dealings of the bank. This could be calculated at not less than $5,000,000. The whole contraction, then, would be at least $18,300,000 out of $62,000,000. What was the actual result?

The board of directors alleged that the entire reduction to the 1st of April, 1834, was only $5,047,527.12.[1] They counted from the 1st of October, however, while the contraction had actually begun in August, and counting from that month, $4,000,000 must be added to their estimate. Of this total of $9,000,000, $7,000,000 was in discounts, $2,000,000 in bills of exchange. By July 1 the entire reduction was $13,000,000—nearly $9,000,000 in discounts, the rest in exchange.[2] Such an enormous reduction had never before been undertaken. It was equal to over one-fifth ot the bank's entire dealings.[3]

The distribution of this reduction is interesting. Of the first curtailment ordered, the South succeeded in diminishing its discounts to less than one-half the amount demanded.

[1] *Ibid.*, p. 99.

[2] By September the total reduction, reckoning from August, 1833, was $17,000,000—$8,400,000 in discounts, and $8,800,000 in exchange.

[3]

LOANS AND DISCOUNTS

	Total Loans	Discounts	Bills of Exchange
Aug. 1, 1833	$64,100,000	$43,200,000	$20,900,000
Oct. 1	60,000,000	42,200,000	17,800,000
Jan. 1, 1834	54,900,000	38,600,000	16,300,000
April 1	54,800,000	36,100,000	18,700,000
July 1	51,000,000	34,400,000	16,600,000
Sept. 1	47,000,000	34,800,000	12,100,000
REDUCTIONS			
Aug. to Oct., 1833	$ 4,100,000	$1,000,000	$3,100,000
To Jan., 1834	9,200,000	4,600,000	4,600,000
To April	9,300,000	7,100,000	2,200,000
To July	13,100,000	8,800,000	4,300,000
To Sept.	17,100,000	8,400 000	8,800,000

In the section comprising the Southwest and the West the branches did much better, reducing to about the extent of two-thirds of what was required. Here the five western offices were the chief delinquents, reducing only $789,000 out of $1,705,000 expected.[1] By April they were a little more successful.[2] Up to this time, however, the increase in the exchange business of the West and Southwest well-nigh offset all reductions made in the item of bills discounted. By the end of February it was over $4,000,000 in excess of what it had been in October, and did not diminish until after April, the total business done in the valley aggregating in that month just about what it had been in the beginning of October, 1833. Final orders to cease curtailing in the West, however, were not issued until September, 1834, and by that time the contraction had accomplished all that could possibly be desired. In discounts the business was diminished by $3,300,000, and in exchange by $3,400,000.[3] The reduction at the five western offices was $3,500,000, and only Louisville and Natchez had failed to meet the demand.[4]

The collection of state-bank balances had been the third part of the bank's plan to strengthen its position. When this action was taken in October, 1833, the state banks were

[1] In the South, counting from Oct. 1 to Jan. 1, the reduction was $802,000, as against $1,973,000 ordered; in the West and Southwest, $1,954,000, against $2,968,000 ordered.

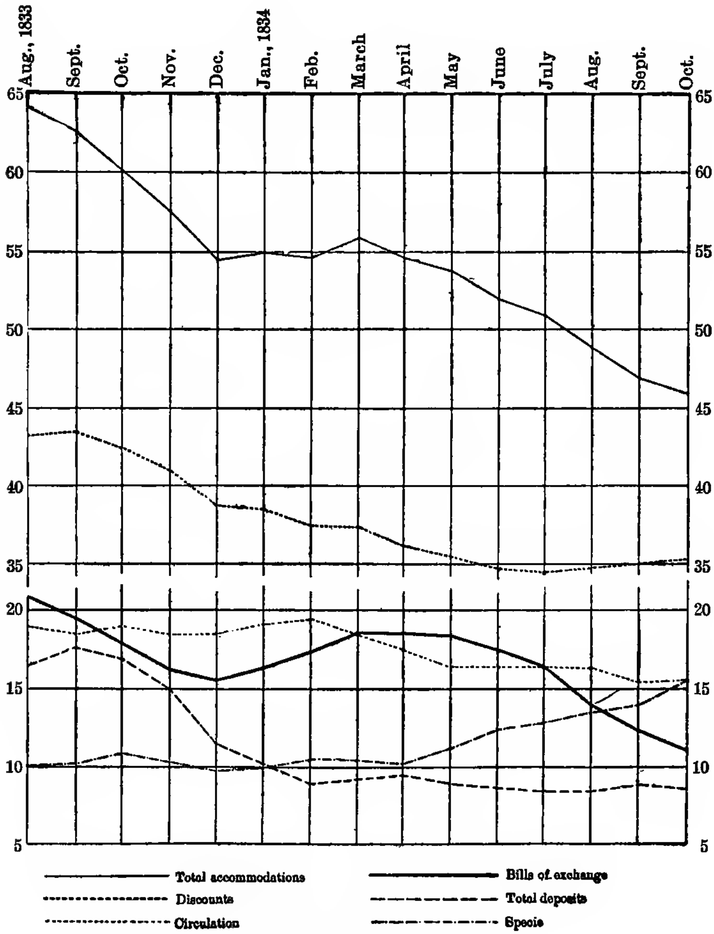
[2] By April the reductions should have aggregated in the South, $2,673,000; in the Mississippi valley and the West, $4,568,000; in the five western cities, $2,705,000. They were, respectively, $1,200,000, $3,125,000, $1,800,000. The South was most at fault, then the five western offices. Yet there was nothing like the failure to respond shown in 1832–33.

[3] Offices of New Orleans, Nashville, Mobile, Natchez, St. Louis, Cincinnati, Louisville, and Lexington:

	Total Loans	Discounts	Bills of Exchange
1833, Aug. 1	$24,158,000	$15,296,000	$ 8,852,000
Oct. 1	21,425,000	14,217,000	7,208,000
1834, Jan. 1	22,025,000	12,106,000	9,919,000
March 1	22,991,000	11,579,000	11,412,000
April 1	21,407,000	11,092,000	10,315,000
July 1	17,052,000	10,762,000	6,290,000
Sept. 1	14,864,000	10,987,000	3,877,000

[4] *S. D.* 17, 23d Cong., 2d Sess., pp. 78, 110.

CHART IV



CONTRACTION OF 1833–34

in debt to the Bank of the United States to the extent of $2,200,000. By January, 1834, the debt had been reduced to $1,500,000, and by the 1st of April it was $500,000. The measure created distress, as was clearly evident from the strenuous opposition offered to it by the banks of New York city in March, 1834.[1]

The question of the severity of the contraction of 1833–34 is not entirely determined, however, until its effect upon the circulation, the deposits, and the supply of specie is considered. On the issues the effect is marked, the circulation being reduced $3,200,000 from the 1st of August, 1833, to the 1st of October, 1834, the lowest point it had reached since August, 1830. Individual deposits in the same period fell off $3,300,000. Meanwhile the bank's stock of specie, representing a further diminution in the circulating medium of the country, increased enormously. The sum was $10,023,000 at the beginning of August, 1833. It was $15,500,000 at the end of September, 1834. It had never before reached within $4,000,000 of that sum. During the period of the contraction cash liabilities were never in excess of $30,000,000, a fact which proves that the bank never was in any danger. The greater part of this immense increase must have been extracted from the circulation in the United States, largely by means of collecting state-bank balances.. If Taney was correct in his views of the effect of such an operation by the Bank of the United States, the circulation of the country must have been diminished by $20,000,000 through this hoarding of specie.[2]

[1] "In March of that year [*i. e.*, 1834] a committee of the merchants and bankers of New York informed him [*i. e.*, Mr. Biddle] that unless he changed his course, and would agree to their terms, which were that the United States Bank should cease to call upon the other banks for its balances for thirty days, his course would be denounced at the adjourned meeting of the exchange."— APPLETON, *Currency and Banking*, p. 60.

[2] Taney argued that for every dollar in specie withdrawn from the circulation the state banks had to call in from four to five dollars of their paper.—*Ex. Doc.* 2, 23d Cong., 1st Sess., p. 9.

Though the first order to contract could not be completely carried out, the bank's business in April, 1834, reached a lower level than it had touched since 1827,[1] while the total reduction from August 1, 1833, to August 1, 1834, counting discounts, circulation, deposits, and the hoarding of specie, would mean a reduction of accommodations to the community in one year to an incalculable amount, probably running, however, over $25,000,000. Since the state banks had to contract to a proportionate degree, the suffering occasioned by the decrease of banking facilities must have been extreme.

The contraction of 1833-34 placed the bank in a position of great strength, a result evident in the circumstance that its notes were not only undepreciated, but in some parts of the country at a premium.[2] Its means, too, were situated so as to be much more accessible than when the movement began, having been transferred to a considerable extent from the West to the East. The settlement of its affairs could thus be made with dispatch, if settlement were desired. The amount and the method of the reduction must also com-

[1] Had the attempt at reduction been completely successful in the time given, the total loans of the bank on April 1, 1834, would have been $47,000,000. They had not been so low since 1824, when they were $42,700,000. The following table gives the aggregate of investments in discounts, exchange, and funded debt of the United States, in millions, for April:

1825	$54.8	1830	$54.0
1826	52.3	1831	59.2
1827	50.8	1832	70.4
1828	54.8	1833	64.5
1829	57.9	1834	53.7

A comparison of the business done in the months of contraction with the same months in 1832-33 and 1835 will give a very just idea of the reduction:

DISCOUNTS AND DOMESTIC EXCHANGE

	1832	1833	1834	1835
Jan. 1	....	$61.6	$54.9	$51.8
April 1	....	64.3	54.8	61.9
July 1	....	63.3	51.0	65.1
Sept. 1	$65.5	62.5	47.0	....
Oct. 1	63.6	60.0	46.0	....

[2] One to two per cent. in exchange for coin.—NILES, Vol. XLVI, p. 86, April 5, 1834; *ibid.*, p. 169, May 10; *ibid.*, p. 188, quoting the Richmond *Whig* of May 9.

pel the conviction that the bank had now considerable control over its offices. Few of these failed to do all that was demanded—in the West and Southwest only Louisville and Natchez,[1] in the South only Charleston.[2] These were not matters of any great importance, while the failure at the Atlantic offices was of no importance whatever.[3]

While the bank placed itself in an impregnable position, the country suffered bitterly. In September Niles says that "money *is* scarce," though he knows no reason for the scarcity.[4] In October he virtually repeats this observation,[5] A month later he speaks of "a most severe pressure for money" and the probability of a paralysis in business.[6] In the same month state-bank notes began to depreciate,[7] and loans were at 18 per cent. per annum.[8] In December the pressure had increased, and laborers were being discharged because their employers could not procure credit.[9] In January failures of business houses and banks began at Philadelphia, New York, and Washington. At the end of the same month loans in New York and Baltimore could be had only at from $1\frac{1}{2}$ to 3 per cent. discount a month.[10] The New York *Commercial Advertiser* of January 25, 1834, declared that it had "never seen so deep a cloud of gloom hanging over the exchange,"[11] while the Boston *Courier* of the 20th said that "Saturday was the most tempestuous day on 'change that we have yet had. The gloom was absolutely frightful."[12]

	Ordered Oct., 1833	Attained July, 1834	Failure
1 Louisville	$682,743	$555,223	$127,519
Natchez	562,081	486,230	75,850

All this in discounted paper.

2 Biddle to Johnson, Jan. 30, 1834, *S. D.* 17, 23d Cong., 2d Sess., p. 78.

3 Yet considerable capital at the western branches was out on paper which had constantly to be renewed.—President of Louisville branch to Biddle, Feb. 4, 1834, *ibid.*, p. 110.

4 NILES, Vol. XLV, p. 17.

5 *Ibid.*, p. 81.

6 *Ibid.*, p. 97.

7 Louisiana notes 5 per cent. discount in Baltimore; New York safety fund 2 per cent.; Alabama and Georgia 6 to 8 per cent.—*Ibid.*, p. 194, Nov. 23, 1833.

8 *Ibid.*, p. 146.

9 *Ibid.*, p. 265, Dec. 21, 1833.

10 *Ibid.*, p. 389, quoting the New York *Commercial Advertiser*. For Baltimore, *ibid.*, p. 346.

11 *Ibid.*, p. 389.

12 *Ibid.*, p. 390.

The failures beginning in this month continued unintermittently until June.[1] Wages went down; notes of specie-paying state banks were depreciated at from $1\frac{1}{2}$ per cent. on New England notes to 12 per cent. on Alabama notes; prices fell; money could be borrowed only at from 12 to 18 per cent. per annum; state loans could not be raised; workmen were discharged in large numbers; real estate declined in value.[2] In April money was so scarce that due bills had to be given in payment by many persons, while loans were made at the rate of 5 per cent. a month.[3]

The height of the distress was reached in May. "We have never seen or felt anything like the present pressure," declared Niles, "and it is becoming every day worse and worse."[4] Even the *Globe*, which had hitherto asserted that there was no distress, or very little, was at last forced to admit the situation. "A blasting mildew," it complained, "is suddenly brought upon the business concerns of the country, and a prostration of trade and credit, to an extent supposed to have been hitherto unknown, is by some means effected."[5] After this month, however, the distress began to diminish. Even so early as May, Benton exultantly recited a catalogue of facts supporting the presumption that the force of the panic was broken.[6] In July the Bank of

1 *Ibid.*, p. 309, Jan, 4; p. 375, Jan. 25; p. 390, Feb. 1; pp. 393, 396, Feb. 8; *ibid.*, Vol. XLVI, p. 5, March 1; p. 65, March 24; p. 96, April 13; p. 113, April 19; p. 117, May 6; p. 245, June 7.

2 For details see *ibid.* Vol. XLV, p. 331, Jan. 11; p. 345, Jan. 18; pp. 364, 373, Jan. 25; p. 390, Feb. 1; p. 396, Feb. 8; p. 415, Feb. 15; p. 434, Feb. 22.

3 *Ibid.*, Vol. XLVI, pp. 86, 87.

4 *Ibid.*, p. 204, May 24, 1834.

5 *Ibid.*, p. 243, quoting the *Globe* of May 24.

6 "Prices of property, of produce, and of labor, were now as high, in general, in some cases higher, than they have usually been heretofore. The great staple in the South, cotton, was now a cent higher in the pound, at New Orleans, than it was at this time last year. The domestic exchanges, which had been deranged for a while by the power and policy of the Bank of the United States, were now recovering, and in nearly as good a condition as ever. The notes of the Virginia banks, though proclaimed in this city to be ten per cent. discount, are quoted in the New York price currents at three per cent.; North Carolina and other Southern notes, at from three to four; the Louisiana and Mississippi notes at five per cent.; and these are the exact rates at which they have stood in that market in those happy and prosperous

the United States ceased to contract to a very considerable extent, and on the 19th of that month money was noted to be "more plentiful than it was."[1] The stringency was ended. In October cash was a drug on the market,[2] which was sluggish and yielded few profitable investments — the usual consequents of a panic.

The president and his adherents angrily censured the bank for the distress. At first, indeed, the administration supporters declared that there was no distress. When that assertion could no longer be hazarded, they alleged that most of the evidence of distress was manufactured by the bank or its partisans.[3] This was true to the extent that the bank's advocates made as much noise as possible, and urged others to do likewise.[4] Several volumes of government reports are filled with distress petitions and memorials.[5] The bank in answer to the charges retorted wrathfully that the administration alone was responsible for the distress, and it solemnly prefaced every movement to add to contraction by calling attention to the sins of the president. Thus on the 17th of October, 1833, the "movements of the executive officers at Washington" is the reason alleged for further curtailments;[6] and in January Biddle declares that further reductions are necessitated by "the new measures of hostility understood to be in contemplation" by the administration.[7]

times which gentlemen paint in such glowing colors."—*C. D.*, Vol. X, Part II, p. 1796, May 21, 1834.

[1] NILES, Vol. XLVI, p. 346. [2] *Ibid.*, Vol. XLVII, p. 113, Oct. 25, 1834.

[3] *Thirty Years*, Vol. I, p. 421.

[4] "What is doing in your Legislature [Virginia] about the deposits? . . . . What has been done there has been of immense service to us."—Clay to Francis Brooke, Jan. 14, 1834, CLAY's *Correspondence*, p. 377. "Our city is full of distress committees. The more the better."—Same to same, Feb. 10, 1834, *ibid.* Clay to Biddle, Dec. 21, 1833, confidential, *B. P.*, suggests a meeting at Philadelphia to memorialize Congress for the return of the deposits.

[5] *Ex. Doc.*, Vols. III, IV, V, 23d Cong., 1st Sess., *passim.*

[6] Biddle to presidents of branches, Oct. 17, 1833, *S. D.* 17, 23d Cong., 2d Sess., p. 77.

[7] *Ibid.*, pp. 80, 81, 83. The reference was to the apprehension that the receipt of branch drafts would be stopped.—Biddle to president of Charleston branch, Jan. 30, 1834, *ibid.*, p. 79.

In brief, the old fable still applied. The wicked administration wolf had troubled the waters, and now persisted in his sinful purpose of dining upon the innocent bank lamb. Who was right?

The enormous reductions made by the bank were certainly in excess of any possible danger, and were continued long after any such danger threatened. The president and company of the Bank of the United States were, in fact, not only frightened by Jackson's attacks, but angry; not merely angry, but vindictive, and vindictive with calculation. They hoped to force a re-charter, or at least a restoration of the deposits, by exercising a monetary pressure upon the country. Not only does the degree and manner of reduction argue this, but the language of Biddle and his friends leads to the same conclusion. "This discipline, it appears to me," wrote Webster, "must have very great effects on the general question of the re-chartering of the Bank."[1] Jaudon, who went to Washington to look after the bank's interests there, was anxious that no relief should be given which could be avoided: "What do you think of the proposition to extend the credit on Bonds for entries? Would it not give too much relief?" he queried.[2]

Biddle, for his part, was determined that no misguided leniency should be exercised, no relief granted: "On general principles, I believe that if the Bank were to suffer itself to be misled into the measure of making money plenty, it will only give to its enemies the triumph of having robbed it with impunity, and only confirm what those enemies have said that their act of violence would be attended with no inconvenience to the public."[3] It is deducible from these remarks that the bank could, if it chose, make "money plenty," but that it did not intend to allow the enemy to

[1] Webster to Biddle, Jan. 2, 1834, *B. P.*

[2] Jaudon to Biddle, Washington, Jan. 17, 1834, *ibid.*

[3] Biddle to C. A. Davis [Major Jack Downing], of New York, Jan. 21, 1834, *P. L. B.*, Vol. V, p. 100.

carry out his schemes without "inconvenience to the public." A temper of this sort was viciously unjust, for it struck at the guilty by inflicting penalties upon the innocent; and these innocent were men and women who were to a considerable number friends and partisans of the bank. Continued contraction, consequently, was not only unjust, but impolitic to the last degree. Nevertheless Biddle was determined to abide by it. A week later he wrote:

> The ties of party allegiance can only be broken by the actual conviction, of existing distress in the community. Nothing but the evidence of suffering abroad will produce any effect in Congress. If the Bank remains strong and quiet, the force of events will save the Bank and save all the institutions of the country which are now in great peril. But if, from too great a sensitiveness—from the fear of offending or the desire of conciliating, the Bank permits itself to be frightened or coaxed into any relaxation of its present measures, the relief will itself be cited as the evidence that the measures of the Govt are not injurious or oppressive, and the Bank will inevitably be prostrated. Our only safety is in pursuing a steady course of firm restriction—and I have no doubt that such a course will ultimately lead to a restoration of the currency and the recharter of the Bank. How soon this will take place, it is of course difficult to conjecture—but I have little apprehension as to the ultimate result.[1]

Determined upon his course, satisfied that in the end the bank would win, Biddle could not be swayed from his purpose. He was encouraged in it by hundreds of friends and correspondents, and above all by speculators in bank stock who were anxious to reap a harvest from the commercial disasters of the time and therefore urged a continuance of the pressure. If you want a charter, "*you must persevere.* There must be *no let-up*," wrote Webb, and he complained that the New York market was getting relief.[2] On the other hand, less interested men, men of clearer insight, deprecated severe measures. Webster urged "that the Bank ought to

[1] Biddle to Wm. Appleton, of Boston, Jan. 27, 1834, *P. L. B.*, Vol. V, p. 109.

[2] Webb to Biddle, New York, Feb. 4 [1834], *B. P.*

reduce as slowly and moderately as they can — and occasionally to ease off — where it is requisite to prevent extreme suffering." He thought that the administration was "setting into action a strong sentiment of opposition to the Bank, on account of the reductions."[1] Biddle appeared irritated by Webster's opinions, and bluntly disregarded them. The community must take care of itself:

> My own course is decided . . . . all the other Banks and all the merchants may break, but the Bank of the United States shall not break. I have asked Com• Biddle what is the least sail under which a man of war can lie to in a gale of wind, and he says a close reefed main topsail. So our squadron will all be put under close reefed main topsails and ride out the gale for the next two years. As for those who have no sea room and breakers under their lee, they must rely on Providence or Amos Kendall.[2]

He was sure that a re-charter would result. It might be won by securing a temporary act, extending the present charter for three years. At the end of that time the president would be out, "and his advisers will all be dispersed among the penitentiaries." His successor would either be favorable, or, if it were Van Buren, too timid to veto a bill.[3] "The prospects of the Bank are, I think very favorable. The state of the country is so bad, and goes on daily worse that I do not see how things can hold on in this way much longer. Everybody is uneasy and anxious and Congress will soon be obliged to act."[4]

It seems plain, therefore, that Biddle and the board of directors had determined to exert all the power of the bank to secure a new charter, and that they believed it possible to succeed by causing panic and distress. What justification was there for such expectations? The story of the panic session of 1833–34 must answer.

1 H. Binney, at the instance of Webster, to Biddle, Washington, Feb. 4, 1834, *ibid.*
2 Biddle to Watmough, Feb. 8, 1834, *P. L. B.*, Vol. V, p. 120.
3 Biddle to Elihu Chauncey, Feb. 10, 1834, *ibid.*, p. 123.
4 To John McKim, Jr., Feb. 10, 1834, *ibid.*, p. 125.

CHAPTER XIV

THE DEFEAT OF THE BANK

WHEN Congress met in December, the deposit question immediately came before it. The National Republicans supposed that all the advantages lay with them, and leveled their assault against Jackson along three lines: that he had usurped functions not granted to the president by the constitution, had inflicted suffering upon the country, and had violated the contract between the bank and the government by seizing the public treasury in contravention of the charter. The party issue sought to be made was that the president wished to secure supremacy over Congress, and hence the struggle was one of liberty against a despot. The Democrats, though for the moment thrown on the defensive, supported the president's dismissal of his secretary as constitutional and the removal of the deposits as legal. In these points they were undoubtedly in the right. Not stopping here, however, they boldly assumed the offensive and pressed forward to an attack upon the bank, insisting, with endless repetition, that the real struggle was not between the legislative and executive departments, but between the president of the bank and the president of the United States; that the issue was not the restoration of the deposits, but a re-charter; that the bank operated a gigantic and needless contraction, and therefore that it and not the president was responsible for the suffering caused.

The Democrats were justly fearful, the opposition justly confident, when the struggle began. So hostile was popular feeling to the president in Washington itself that the con-

clusion of Clay's great speech "was followed by such loud and repeated applause from the immense crowd which thronged the galleries and the lobbies that the vice-president" had the galleries cleared.[1] In January Calhoun wrote that he entertained "no doubt that the administration will be overthrown. It has already received its death blow,"[2] and he was equally confident in February.[3] King, of Georgia, declared that the great majority of Jackson's friends disapproved his act as inexpedient,[4] and Preston, of South Carolina, was convinced that the president's action had done more toward securing a re-charter than anything the bank could do.[5]

Moreover, the National Republicans were greatly encouraged by receiving the assistance of the Nullifiers and the State Rights party.[6] Calhoun spoke strongly for the bank; Dr. Cooper wrote in its interests; Clayton, of Georgia, apologized publicly for his past attacks on it;[7] and McDuffie was a staunch supporter. Yet constitutional scruples stood in the way of a permanent union between them and the National Republicans. Calhoun, indeed, with his well-known subtlety of constitutional interpretation, attempted to demonstrate that the bank was constitutional, if Congress had the right to regulate the paper currency, and that the continuance of the bank was constitutional, though its estab-

1 *C. D.*, Vol. X, Part I, p. 94.

2 Calhoun to Christopher Van Deventer, Jan. 25, 1834, *Calhoun Correspondence*, *Report of the American Historical Association* (1899), Vol. II, p. 329; so on the 30th to John E. Calhoun, *ibid.*, p. 331.

3 Calhoun to James E. Calhoun, Feb. 8, *ibid.*

4 *C. D.*, Vol. X, Part I, p. 847.

5 *Ibid.*, p. 563.

6 "We find sustaining the cause of the bank those who believe a protecting tariff constitutional, and those who believe it unconstitutional; those who believe a system of internal improvements by the General Government constitutional, and those who believe it unconstitutional; and, most astounding of all, those who think a Bank of the United States constitutional, and those who believe it unconstitutional!"—CLAY, of Alabama, *ibid.*, Part III, p. 3143.

7 March 6, in the House, *ibid.*, p. 2903.

lishment was not.[1] McDuffie adopted the second of these arguments;[2] Cooper upheld the present bank because he believed that the president was intent upon chartering one of still greater power and much more objectionable to constitutional scruples; other State Rights politicians declared that the constitutionality of the question depended upon the necessity of the moment. A bank was "necessary and proper" now, though it might not be so next week. These arguments are only too evidently the product of the temper and passions of the moment, and could not stand the test of cooler examination and criticism. It was certain, therefore, that the party would be against the bank in the long run, and that dependence upon it was vain.

There was also a number of congressmen who were willing to restore the deposits, but declared themselves against a re-charter.[3] These were generally counted upon by the bank, but illogically, as is evident from the vote on the resolution of the Committee of Ways and Means that the bank ought not to be re-chartered. This vote stood 134 to 82, while that against the restoration of the deposits was only 118 to 103. In other words, there was

[1] 1. If Congress has the right to receive anything but specie in payment, it has the right to regulate its value.

2. Hence, if bank notes are received in payment, it has the right to regulate their value.

3. So the banking power is necessary and proper under the constitution if notes are received; hence constitutional.

4. The constitutional question is not upon the right to incorporate a bank, but upon the right to receive anything but specie in payment of dues.

5. An act done may be constitutional which was not so in the beginning. Louisiana purchase, for example. Act of madness to take up constitutional question. Same reasoning applies to the bank.

6. Principle applied to compromise tariff ought to apply here. That act was unconstitutional, but it was judged better to pass it than to upset everything at once. So paper currency. State Rights party ought to vote for his bill under these circumstances.—In Senate, March 21, 1834, *C. D.*, Vol. X, Part I, pp. 1070, 1071.

[2] *Ibid.*, Part III, p. 3469.

[3] Clayton, of Georgia, *ibid.*, p. 2903; Bibb, of Kentucky, *ibid.*, Part I, p. 533; Pinckney, of South Carolina, *ibid.*, Part III, pp. 3087, 3088; Clowney, *ibid.*, p. 2788; Leigh, *ibid.*, Part I, p. 996; Archer, of Virginia, *ibid.*, Part II, p. 2629; Gholson, of Virginia, *ibid.*, Part III, p. 2941. Almost all the Virginians were in this category.

about a score of votes favorable to restoration but opposed to re-charter.[1]

On the 18th of December, 1833, the bank sent a memorial to both houses, complaining of the violation of its charter by the removal of the deposits, and praying for justice at the hands of Congress.[2] On the last days of December Clay opened the campaign against Jackson in a three-days' speech, in which he outlined the policy of the National Republicans. His tactics were faulty, however, in that he proposed no effective remedy for the situation. Resolutions passed by the Senate alone, censuring the president and the secretary of the treasury for committing an illegal and unjustifiable act in removing the deposits, might irritate and enrage Jackson, but could have no other effect.[3] Undoubtedly the real object was to give time to let the panic work, since panics are powerful engines in party warfare.

Clay's speech and resolutions opened the flood-gates of debate in the Senate, while the bank's partisans buried Congress under huge piles of memorials praying for relief. Such was the strategy of Clay. Thousands of memorials came in, while Webster for the bank, Forsyth for the administration, spoke over seventy times, and Clay over sixty times. Other incitements to debate were constantly added. Every memorial produced a speech, and sometimes a dozen, while on February 5 a new source of discussion was furnished by Webster's report from the Finance Committee, declaring Taney's reasons for removing the deposits insufficient, and recommending the adoption of Clay's second resolution censuring the president.[4]

1 The legislature of Virginia expressed this policy in its resolutions against Jackson's removal of the deposits, though at the same time refusing its sanction to the Bank of the United States on constitutional grounds.—*Ibid.*, Part III, p. 2840, resolutions presented March 3, 1834.

2 *Ibid.*, Part II, p. 2207.

3 See BENTON'S criticism, *Thirty Years*, Vol. I, pp. 393-6.

4 *C. D.*, Vol. X, Part I, p. 467.

Clay's plan of campaign, however, was by no means satisfactory to those who wished success to the bank. The true policy, so far as it was concerned, would have been to introduce a joint resolution for the restoration of the deposits, which should have been thoroughly discussed and quickly passed. Biddle himself urged that the Senate should pass joint resolutions to this effect as soon as possible, "then send the resolutions down to the House, and trust to external pressure to do the rest."[1] But as in 1832 Biddle had cared "nothing for the campaign," so in 1833 Henry Clay cared little or nothing for the bank. Webster and Calhoun soon exhibited discontent with Clay's maneuvers, broke away from his leadership, and supported measures involving effective action. Webster wished to re-charter the bank for six years, Calhoun for twelve, and the two could not compromise their differences.[2] The bank's representatives were as much at variance as the senators. While Biddle approved Webster's plan,[3] Sergeant and Binney supported Calhoun's, wished him to "take the direction in chief," objected to "compromising for a short continuance of the charter," and urged Biddle to help to "alter the feelings of our friend W., and reconcile him to a new course."[4] Webster himself was confident that his scheme might succeed. "If Mr. C. and Mr. C. would go along with us," he wrote, "we could carry the compromise Bill through the Senate by a strong *two-thirds* majority. Can you write through any body to talk with Mr. Calhoun?"[5] He had assurances from friends of the

[1] To H. Binney, who was to give this advice to Webster, Jan. 8, 1834, *P. L. B.*, Vol. V, p. 85.

[2] The South Carolina statesman objected to Webster's scheme that, if it really meant a re-charter, the time was too short; if it was simply intended to give the bank time to wind up its affairs, the period was too long. It would inject the bank issue into two more presidential campaigns, and it settled nothing.— *C. D.*, Vol. X, Part I, p. 1057, March 21.

[3] Biddle to Webster, Feb. 13, 1834, *P. L. B.*, Vol. V, p. 130; and same to same, March 15, 1834, *ibid.*, p. 163.

[4] Sergeant to Biddle, Feb. 17, 1834, *B. P.*

[5] Webster to Biddle (undated), *ibid.*

president that they would support his measure "if all the friends of the Bank stood firm."[1] King, of Georgia, announced in the Senate a willingness to support him, though he was unfriendly to the bank.[2] Jaudon thought that Webster's plan was the better and would be easier to carry, and that Clay would give his support to either bill. "But Mr. Webster and Mr. Calhoun are obstinately wedded each to his own plan!"[3] Two days later he discovered that Clay wished all action deferred until May, and would not vote for Webster's bill, though he would support a long-term bill.[4] Calhoun attempted to secure the support of Wright, Benton, and their friends for his measure, but without success.[5] He was not confident that his bill could be carried, but declared that if anything was done it would be in accordance with his suggestions.[6] Biddle thought that the bank ought to "go for the practical. If we can get a permanent charter, let us do so—if not, let us take the temporary and make it permanent hereafter."[7] Calhoun's plan would be "the basis of the final settlement," but meanwhile the friends of the bank ought to act in unison, and he hoped that they would.[8] His hopes were doomed to disappointment, however, for the leaders could not agree, and complete lack of harmony was necessarily fatal.[9] On the 18th of March Webster outlined his bill;[10] on the 21st Calhoun objected to it and presented

[1] *Thirty Years*, Vol. I, p. 433.

[2] *C. D.*, Vol. X, Part I, p. 849.

[3] Jaudon to Biddle, March 9, 1834, *B. P.*

[4] Same to same, March 11, *ibid.*

[5] *Thirty Years*, Vol. I, p. 435.

[6] "It is very uncertain, what will be done; but if anything should be, it will be, I feel confident, in conformity with the suggestions, I made on Mr. Webster's motion, which have been well received on all sides."—To Anna M. Calhoun, April 3, 1834, *Calhoun Correspondence*, p. 334.

[7] Biddle to Jaudon, March 11, 1834, *P. L. B.*, Vol. V, p. 161.

[8] Biddle to Thomas Cooper, April 8, 1834, *ibid.*, p. 177.

[9] Benton expresses surprise at the failure to unite, and declares that Webster's plan was the only one which stood any chance of success.—*Thirty Years*, Vol. I, pp. 433, 435.

[10] *C. D.*, Vol. X, Part I, p. 995. Webster's bill is given *in extenso* on pp. 1004, 1005.
"What the bill proposed, was—
"A short continuance of the present charter, with an addition of its exclusive

his own measure.[1] Clay remained silent, but he refused to support either plan, and was so incensed with Webster's that in private he demanded that the Massachusetts senator should move to lay it on the table, threatening that if he did not he himself would make the motion, whatever the consequences.[2] It is plain that Clay had determined that none but he should lead. On the 25th of March Webster capitulated, making the motion to lay the bill on the table, declaring, however, that he would call it up again "about the first of May."[3] This was virtually the end of it, though Webster gravely and emphatically declared on the 21st of May that his plan was not abandoned.[4] Abandoned or not, there was no further hope for the project, and Calhoun's scheme was equally futile.

The action on the bills was the critical stage of the struggle for the bank. For some weeks previously it had been steadily losing friends. Biddle had been warned by one of his correspondents in February that this result was probable. The populace, urged this keen-sighted politician, would understand only a clear, easy argument, and the

right: so that, while this bank continued, Congress, at its leisure, might provide another, if it chose, and bring it into existence to take the place of this, at the end of six years; . . . . "

There was to be a restoration of the deposits; and a provision for enlarging the specie circulation, so as to increase in fact to a great extent the hard money of the country and to discontinue the circulation of small notes. "This is the substance of the measure."

Thus, said Webster, "the country will be relieved" and "the Bank will have time to collect its debts and wind up its concerns."—*C. D.*, Vol. X, Part II, p. 1763.

[1] Calhoun's plan: (1) Must use a bank to unbank the banks; *i. e.*, the big bank must be continued to control the small ones. (2) The bank to be a new one engrafted on the old. (3) This bank to be chartered for twelve years; not to issue notes smaller than $10; no notes of any bank under the denomination of $5 to be received either by the government or the bank; at the end of six years bank to issue no notes smaller than $20; then government and bank not to receive notes of smaller size. (4) Twelve years best to let agitation subside, and fix upon best plan of future bank. (5) Other details to be arranged later, but rate of interest to be 5 per cent.—*Ibid.*, Part I, pp. 1067, 1068, March 21, 1834.

[2] "If Webster refuses, Clay says he will move to lay it on the table at all hazzards and abide the consequences."—J. W. Webb to Biddle, Washington, March 23, 1834, *B. P.*

[3] *C. D.*, Vol. X, Part I, p. 1145.

[4] *Ibid.*, Part II, p. 1791.

bank's arguments were always involved and hard of comprehension; pressure should indeed be exercised after the removal of the deposits to show that the administration had caused it, but if pressure went so far as to ruin merchants, it would alienate that class and convince the people that the bank was at fault; if it was continued while all around failures were daily occurring, the people would be persuaded that the bank was too powerful and therefore dangerous, and would insist upon its destruction. The time had come for a change of policy.[1] The St. Louis *Republican* of February 10, while asserting its continued friendship for the institution, criticised its action severely.[2] Even Niles admitted that the bank's ability to protect itself proved that its power was too great,[3] and a little later held that it was "conclusive evidence" of the bank's excessive power, "which power, ... *I would not agree to continue.*"[4] Nevertheless the directors could not be convinced and would not yield. "The relief," doggedly persisted Biddle, "to be useful or permanent, must come from Congress and from Congress alone. If that body will do its duty, relief will come—if not, the Bank feels no vocation to redress the wrongs inflicted by these miserable people. Rely upon that. This worthy President thinks that because he has scalped Indians and imprisoned Judges, he is to have his way with the Bank. He is mistaken."[5]

Later in the month, however, came a crushing reminder of the fallibility of bank presidents and of the transitoriness of the power of banks. Governor Wolf of Pennsylvania denounced the corporation in his message, thus severely crip-

[1] S. M. Stilwell to Biddle, New York, Feb. 16 and 19, 1834, *B. P.*

[2] "We have been, and still are, the fast friends of this institution. But, when we see it adopting a course fraught with distress and ruin to our community, we shall not hesitate to condemn it."—St. Louis *Republican*, Feb. 10, 1834, *C. D.*, Vol. X, Part III, p. 3157.

[3] NILES, Vol. XLV, p. 363, Jan. 25, 1834. [4] *Ibid.*, Vol. XLVI, p. 20, March 8, 1834.

[5] To Joseph Hopkinson, Feb. 21, 1834, *P. L. B.*, Vol. V, p. 138.

pling it by influencing public opinion against it.[1] Since Wolf had hitherto been a bank supporter, his attitude was fatal. The whole Democratic party in Pennsylvania faced about immediately. The senate of that state passed resolutions against the bank;[2] both Pennsylvania senators, who had supported the re-charter, now opposed the institution; Ingersoll, who had toiled energetically for the bank in 1832, Sutherland, who had led the Pennsylvania forces in the House on that occasion, Rush, who was an old supporter — all were now in opposition, and the bank scarcely numbered an advocate among the Pennsylvania delegation in Congress.[3] Forsaken by its own state, its cause was doomed. Everyone recognized this,[4] and it was only emphasized by the assurance that the governor's opposition was not to a bank, but to the bank, being caused by the recent operations of the corporation.[5] The lead of Pennsylvania's governor was

1 Message, NILES, Vol. XLVI, pp. 26, 27.

2 "*Resolved*, That the present bank of the United States *ought not to be chartered by congress*.

"*Resolved*, That the *government deposites* which have been withdrawn from the bank of the United States *ought not to be restored*." Vote for first, 19-13; second, 18-14.— *Ibid.*, p. 85, March 21, 1834.

3 See a very good résumé of the situation in ARISTIDES (T. L. McKenney), *Essay on the Spirit of Jacksonism*, pp. 128-34.

4 "Mr. President, when the Governor's unexpected message arrived here, it was felt by all parties that he had thrown his great weight into the scale of the President. It was blazoned forth by the administration party and prints, that the Governor had come out in favor of the removal of the deposites, and against the bank. It was felt here, as the Senator from Georgia expressed it, as a *damper*."— CLAY, April 29, 1834, *C. D.*, Vol. X, Part II, p. 1546.

"On the memorable 26th of February last, all eyes were turned towards Harrisburg. . . . . It was evident, that in this political warfare Pennsylvania was viewed as the 'Belgium' of the continent, and that the battle of 'Waterloo' was to be fought at the seat of Government. Every effort was exerted to procure an expression favorable to the renewal of the charter, and a restoration of the deposites; but the course of policy which had marked the directory of that institution for some time previous, had sealed its condemnation with the Executive, Legislature, and a vast portion of the people of Pennsylvania."—WILKINS, April 29, 1834, *ibid.*, pp. 1543, 1544.

5 "He stated, as a matter of his own knowledge, that Governor Wolf was then, and is now, in favor of a national bank, and he believes the fiscal concerns of the Government cannot get along without it. He does think, however, that recent developments in relation to the management of that institution, are sufficient to create doubts as to its influence upon the public morals."— MCKEAN, Senate, April 25, 1834, *ibid.*, p. 1486.

one month later followed in New York by Governor Marcy, who did much to break the force of the financial pressure by advising the issue of four or five million dollars of state stock to be loaned to the state banks,[1] whereupon the legislature passed a bill creating $6,000,000 of 5 per cent. stock for this purpose.[2]

Almost immediately afterward the House of Representatives put the quietus to the bank's hope of securing either a restoration of the deposits or a re-charter. The debate there centered about the same questions as were discussed in the Senate. The tactics of Polk, who led the Democrats, were to secure a reference of the various documents and memorials to the Committee of Ways and Means, of which he was chairman. In this he succeeded,[3] and when he had done so, the bank was beaten. On April 4 the committee reported, and the House adopted its findings. It was resolved that "the bank of the United States ought not to be re-chartered," 134 to 82; "that the public deposites ought not to be restored," 118 to 103; "that the state banks ought to be continued as the places of deposite," 117 to 105; and that a select committee should be named to examine the bank's affairs and investigate the reasons for the commercial crisis, 175 to 42.[4] The friends of the bank were furious; "The history of this day," wrote one of them, "should be blotted from the annals of the Republic; for the heart of every Patriot must sicken, at the recital of the events which it will record. The Chief Magistrate of the United States seized

1 Message of March 23, 1834, NILES, Vol. XLVI, p. 96.

2 By a vote of 89 to 12 in the house, 17 to 4 in the senate.—April 2, *ibid.*, pp. 111, 112, 114. This loan was known as the Marcy mortgage.—HAMMOND, *History of New York*, Vol. II, p. 441.

3 McDuffie's motion for referring to Committee of the Whole, Dec. 10, 1833, *C. D.*, Vol. X, Part II, p. 2166; Polk's motion for reconsideration, Dec. 11, p. 2170; motion to reconsider carried, Dec. 17, p. 2207, vote, 124 to 102; motion to commit to Ways and Means Committee by Polk, *ibid.*; Polk's motion carried, Feb. 18, 131 to 98.—*Ibid.*, pp. 2739, 2740.

4 *Ibid.*, Part III, pp. 3474–7.

the Public Treasure, in violation of the law of the land; and the Representatives of the People have confirmed the deed!!! What American ever expected to have lived to see such turpitude?"[1] In accordance with the last resolution of April 4, the House appointed a committee with the most extensive powers.[2] It was to pry into the accounts of individuals with the bank, and even into the private correspondence of congressmen with it;[3] and would, as a matter of course, return a hostile and damaging report. The bank's patience was exhausted; the president had done his worst; the institution had everything to lose and nothing to gain by permitting such an exhaustive and vexatious investigation; above all, Biddle was resolved not to suffer the examination of private accounts, and particularly of the letters of congressmen.[4] The bank, therefore, put as many obstacles as possible in the way of the committee, ending by refusing to allow the examination of its books, except under conditions to which the committee would not assent.[5] The majority thereupon reported warmly to the House, concluding with the demand that Biddle and his fellow-directors should be arrested and brought to the bar.[6] The matter was suffered to end here, however, and no more committees were appointed by the representatives.

[1] John Connell to Biddle, Washington, April 4, 1834, *B. P.* A week later Niles wrote despondingly of the situation, and pointed out the real secret of the defeat. "It is a great misfortune that the question as to a restoration of the public deposits was suffered to run into that concerning a renewal of the charter of the present bank of the United States. It was not the will of the friends of *a* national bank that it should have been so; but the other party, in pursuit of its *original* design to destroy the present bank, ... *forced* the connexion, and the removal of the deposites, by the president rallied this party, and pushed it into action against the currency of the country."—NILES, Vol. XLVI, p. 98, editorial of April 12, 1834.

[2] *C. D.*, Vol. X, Part III, p. 3476, resolution 4.

[3] "*Resolved*, That the president and directors of the bank be requested to furnish the committee with copies of all correspondence between the president of the bank or any of its officers, with members of Congress; or of unanswered letters received from one of them since the 1st day of July, 1832, touching the renewal of the charter of the bank, the removal or restoration of the public deposites, or touching the business transactions of such members with the bank."—NILES, Vol. XLVI, p. 188.

[4] To John Bell, May 2, 1834, *P. L. B.*, Vol. V, p. 187.

[5] *H. R.* 481, 23d Cong., 1st Sess., pp. 16–29.

[6] *Ibid.*, p. 13.

Meanwhile a movement out-of-doors had ended in the partial abandonment of the bank's restrictive policy. Pressure had early been brought to bear upon the bank for the purpose of securing a change in its operations, and was exerted particularly by business men who were friends of the bank, saw ruin approaching, solicited accommodations incessantly, and soon began to assert that the directors were acting flagitiously in their restriction. The pressure was especially intense in New York, and in February the banks and merchants of that city selected a union committee which should interview the management of the Bank of the United States and attempt to arrange a suspension of the contraction. The directors were much embarrassed by their propositions, and attempted to avoid acceding to them. On February 28 Biddle declared that the bank would have granted relief had it not been for Governor Wolf's attack.[1] Put bluntly, this meant that New York was to suffer because the governor of Pennsylvania abused the bank. The union committee did not despair, however, and it soon became evident that the bank must yield or reap a ruinous unpopularity among its New York supporters. James G. King assured Biddle that "the reasons assigned" for refusal "would not be deemed sufficient by our community, for a longer postponement," and that if relief were not granted New York would probably establish a Regency Bank.[2] Gallatin and other members of the union committee believed that the bank was strong enough to give assistance, and that it ought to do so —opinions which they were determined to express in a public report to the merchants and bankers whom they represented. "Hence the Bank had to do something, for the evil of such an announcement would have been enormous."[3] Finally on March 23 King's warning seemed about to take

1 Biddle to J. G. King, of the committee, Feb. 28, 1834, *P. L. B.*, Vol. V, p. 145.

2 King to Biddle, March 11, 1834, *B. P.*

3 Biddle to Watmough, March 17, 1834, *P. L. B.*, Vol. V, p. 164.

shape, when Marcy recommended the loan to the banks. The directors therefore agreed that there should be no further diminution in its business "up to the first of May next."[1]

When this decision was made the bank's cause was ruined in the opinion of most men. It was said at once that the contraction had been inexcusable or else the relief was so; either the bank could have rendered assistance earlier or it could not render it now. Struggle as they might against this charge, the managers could neither refute it nor return to the original policy with any chance of success. The relaxation was certain to be permanent. The exasperated directors, enraged by the act of the House of the 4th of April, petulantly but vainly warned the nation that it had no right to expect further favors. Previous to the 1st of October, 1833, the bank had been "responsible for the general condition of the currency and the exchanges." It had undergone "years of effort and sacrifice" to bring "the currency and the exchanges" to a condition superior to that which existed in any other country. It had also had upon its shoulders "the duty of averting every calamity." Right nobly had it fulfilled this obligation: witness the panic of 1825; witness the extension of loans in 1831; witness the defraying of the cost of the postponement of the payment of the 3 per cents. in 1832; witness its self-sacrificing action in the presence of the cholera. But now this obligation had forever ceased. The bank would hereafter attend to its own business, and it was not to blame if disaster overtook the country.[2]

The effect of the bank's concessions upon one wing of its supporters is vividly portrayed by a letter of James Watson Webb to a friend. Webb had constantly urged Biddle

[1] Report of the Union Committee, March 29, 1834, NILES, Vol. XLVI, p. 73.
[2] *S. D.* 17, 23d Cong., 2d Sess., p. 100.

to persist, and not to waver in his policy, with the assurance that continued severity was certain to secure a charter. He had also requested Biddle to let him know the moment any change in policy was contemplated. The motives underlying all this zeal became apparent in his letter. He had been speculating in the stock of the bank. When the news of the concessions to the committee reached him, he uttered a wail of mingled reproach and despair. "The truth is, that our friend Biddle, by loaning himself most unadvisedly to the Union Committee of N Y, has ruined most of us in New York and *dispirited* the others. . . . . Hamilton[1] and myself lose about $3,000, and Joseph and myself $11,-500! This takes my *all*, except my interest in the paper, but I do not complain of Biddle."[2]

Some gleams of hope were shed by the spring elections of 1834. Rhode Island was against the administration;[3] the New York local elections were favorable to the Whigs;[4] the ward elections in Philadelphia were anti-administration;[5] Jackson's opponents carried the Virginia legislature by a large majority,[6] and Louisiana followed Virginia's example.[7] These elections, however, lacked the significance which the bank and its friends persisted in seeing in them. Virginia rebuked Jackson, but would not support a bank. The New York elections were the utterance of voters who hardly knew what to do in circumstances of great distress and aimed a blow at the only head that could be struck. Louisiana had always been a tariff state, and Rhode Island had certainly not been a Jackson stronghold.

Clay, too, had won a victory in the Senate, the censure of the president having been voted by 26 yeas to 20 nays.[8]

1 Presumably Alexander Hamilton, Jr. 2 Webb to ——, March 23, 1834, *B. P.*
3 SENATOR ROBBINS, April 24, 1834, *C. D.*, Vol. X, Part II, p. 1462.
4 NILES, Vol. XLVI, pp. 100, 101; April 12, 1834, pp. 115, 116, 132.
5 *Ibid.*, p. 66, March 29. 8 *Ibid.*, p. 218, May 3.
7 *Ibid.*, p. 379; for other elections, *ibid.*, p. 445.
6 March 28, 1834, *C. D.*, Vol. X, Part I, p. 1187.

But such a victory was of the Pyrrhic order, injurious to Clay and ruinous to the bank. His triumph once secured, Clay at last determined that some effective step in the interests of the bank ought to be taken. He therefore introduced joint resolutions, declaring that the secretary's reasons were insufficient and directing the restoration of the deposits after July 1, 1834.[1] The resolutions passed the Senate June 4 and June 5.[2] But it was too late, the action of the House on the 4th of April having long since determined that agreement between the houses was impossible. The bank had lost its chance because Clay saw fit to sacrifice it to the supposed interests of his party.[3]

The hope of a charter would not down, however, and the desire to secure the return of the deposits would intrude itself: "If the Bank charter were renewed or prolonged," said Biddle, "I believe the pecuniary difficulties of the country would be immediately healed." If only the deposits were restored and the executive would show itself friendly, the bank would make an effort to relieve the country; but if "the Executive continued its efforts to destroy the Bank," the return of the deposits alone would produce no change.[4] If nothing were done by Congress, the bank would continue its contraction and the summer and autumn would see unusual distress.[5] But this was an unmeaning threat; every day the resolution of the bank managers weakened, and in June they would gladly have capitulated if only a vote of Congress could be secured ordering the restoration of the

1 May 27, 1834, *C. D.*, Vol. X, Part II, p. 1813.

2 *Ibid.*, pp. 1880, 1895, 1896. Vote 29 to 16, and 28 to 16.

3 The bank, said King, of Georgia, lost its chance by the action of its supporters in making a party question out of the removal.—March 10, 1834, *ibid.*, Part I, p. 847.

4 Biddle to General John S. Smith, of Baltimore, May 9, 1834, *P. L. B.*, Vol. V, p. 192.

5 "Of one thing I am certain — that if nothing is done this session, we shall have a summer and fall such as have not often been experienced."—Biddle to Webster, May 15, 1834, *ibid.*, p. 195.

deposits.[1] In truth, they were now struggling blindly to find some pretext to avoid an open confession of certain defeat. All around them were heard the murmurs of one-time friends who were rising in revolt against their action. The Boston Whigs threatened to denounce the bank;[2] the New York Whigs asserted that further pressure would result in the loss of the autumn elections in that state, everybody there being convinced that the bank could relax and Mr. Gallatin expressing "himself strongly on the subject."[3] Biddle's close friends in the management began to see light also, and advised "judicious action . . . . which may save our beloved country from the curse of Van Burenism and thereby save the Bank."[4]

When at last Congress adjourned without taking action, and the bank was left to continue its course without present hope of re-charter or the restoration of the deposits, the conviction that all was over was irresistible. A committee had been appointed in June to determine what should be done, and the result was the only possible one. Jackson's triumphant assertion that after the close of the session of Congress in June, "the bank . . . . announced its ability and readiness to abandon the system of unparallelled curtailment . . . . and to extend its accommodations to the community" was justified.[5] In the resolutions of June 27 the bank management distinctly states that the step is advisable "in consequence of the approaching adjournment of Congress without having taken any steps to restore the violated rights [*i. e.*, the deposits] of the Bank."[6] So, too, in the report of July 11, the "adjournment of Congress" is put

1 Biddle to A. Porter, June 14, 1834, *ibid.*, p. 231.

2 Biddle to W. Appleton, July 4, 1834, *ibid.*, p. 245.

3 R. M. Blatchford to Biddle, July 5, 1834, *B. P.*

4 Mathew L. Bevan to Biddle, New York, July 9, 1834, *ibid.*

5 President's message, Dec. 1, 1834, *Messages and Papers*, Vol. III, p. 109.

6 *S. D.* 17, 23d Cong., 2d Sess., p. 83.

forward as the reason for modifying the policy of the bank.[1] It is plain that a great part of what the bank had done had been planned with an eye to its effect on Congress.

The relaxation of July was virtually final. The bank did not intend to remove all restrictions and did not do so, but the state banks, no longer fearful of the monster, had begun a rapid expansion; some of them had even begun extensive exchange operations. The bank might therefore as well follow suit, and, moreover, it was constantly embarrassed by its half-hearted policy. On July 18 Jaudon wrote Biddle, saying that the papers charged the bank with having curtailed for political effect, and that it was now expanding with the purpose of engineering another contraction in the autumn. Our friends, he mournfully concludes, say "they do not know how to answer them."[2] On the 24th he writes that the western friends of the bank want accommodations, too, "and I suppose that we shall be obliged to let the western offices extend their purchases of Bills on New Orleans without reference to the amount of their receipts from collections for other offices."[3] The accommodations demanded were granted, the bank putting an end to all restrictions in September, and thus ending the last faint efforts to force action by inflicting commercial ruin.

The long, harsh struggle of 1833–34 completely changed the position of the bank in public favor. It had now become extremely unpopular, and for the first time parties clearly divided on the issue of bank or no bank. The strife had been transformed, too, from a fair and open contest to the most savage and implacable struggle. This temper had been thoroughly developed on both sides by the contest in Congress; by the suffering resulting from the panic; by the cumulation of irritating circumstances: the pension ques-

[1] *S. D.* 17, 23d Cong., 2d Sess., p. 83.

[2] Jaudon to Biddle, July 18, 1834, *B. P.*

[3] *Ibid.*

tion; the censure of the president; the protest; the inflammatory memorials; the rejection of the appointments of Taney and the government directors; the refusal of the bank to permit investigation by the House committee; the votes of the two houses. The feeling generated by these events was tremendous. "It will be difficult," says Benton, "for people in after times to realize the degree of excitement, of agitation and of commotion which was produced by this organized attempt to make panic and distress. The great cities especially were the scene of commotions but little short of frenzy."[1]

The opponents of Jackson, convinced that he was aiming at absolute dominion over Congress, soon lost their temper. Neither Clay nor Webster, however, can be counted of this number, though Calhoun, intense in his convictions, showed much bitterness. Speaking of the government directors, he exclaimed: "Directors! did I say? No! *spies* is their proper designation!"[2] and after the protest he spoke with indignation of the president. "Infatuated man!" he cried, "blinded by ambition — intoxicated by flattery and vanity! Who, that is in the least acquainted with the human heart — who, that is conversant with the page of history, does not see, under all this, the workings of a dark, lawless and insatiable ambition!"[3] McDuffie, in the House, was more passionate, more intense, more Thrasonic, and more incoherent in his wrathful outpourings.[4] Burgess, of Rhode Island, shrieked that the "miscreants of our times and of our country" should "remember the Marats, the Dantons, the Robespierres of other times and other countries," and declared that the outraged American people would quench "the flaming ruins of their country . . . . by the immolation of those traitors who had lighted up the conflagration."[5] The venerable Senator

[1] *Thirty Years*, Vol. I, p. 421.
[2] *C. D.*, Vol. X, Part I, p. 212, Jan. 12, 1834.
[3] *Ibid.*, Part II, p. 1645, May 6, 1834.
[4] *Ibid.*, Part III, p. 3459.
[5] *Ibid.*, p. 3166.

Robbins, of Rhode Island, asserted that "the fearful and momentous struggle" between liberty and despotism had "already commenced," and that unless checked "blood must flow."[1] Ewing, of Ohio, commenting on Jackson's assertion in his protest that he bore upon his "person enduring memorials of that contest in which American liberty was achieved," queried:

> If it be true that, boy or lad, he got hurt any where, or any how, at any time, or by any accident, during the revolutionary war, what effect ought it to have, or should it have had, if urged in time, in the grave judgment of the Senate, upon their construction of the constitution? The Senate say to the President, You had no right to seize the public purse; the constitution intrusts its custody to Congress; pray restore it. Hear the reply: You are mistaken in your construction of the constitution; I got hurt when I was a boy, in the time of the Revolution, and I have the scar on me yet.[2]

Poindexter was furious in his assaults. The protest, he declared, "is wholly vindictive and libellous . . . . I, for one, sir, spurn this foul effort to cast a stigma on the purity and patriotism of this honorable body, ... I throw back the libel into the hands of its reckless, infatuated author."[3] Jackson, declared his opponents, was a tyrant, a usurper, a Napoleon, a Cromwell, a George III., an infatuated old man, a turbulent military chieftain.

The language of Jackson's supporters in Congress matched that of his opponents, and the depths of the ridiculous were frequently reached in the search to attain the moral sublime, as when Peyton, of Tennessee, concluded a glowing peroration by shouting:

> Yes, sir, he had trod the paths of glory which Washington had trod before him. The historian had but to complete his office, and his name was immortal; the sculptor to perform his task, and he stood beside the father of his country, with the finger which penned

[1] *C. D.*, Vol. X, Part III, p. 1462, April 24, 1834.

[2] April 21, 1834, *ibid.*, p. 1411.

[3] *Ibid.*, Part I, p. 1340, April 17, 1834.

the Declaration of Independence pointing him out as the noblest Roman of his day. And, sir, this is the man, under these circumstances, against whom all these shafts are hurled! Yes, sir, even the kitchen knife of Kentucky, which has been cast aside for years, is hunted up and thrown into this House, full of rust and gaps, to be sawed across the bosom of a patriot.[1]

The bank, in the vocabulary of the Democrats, was a monster, a hydra, a dark, subtle, demoniac power, striving to overthrow the constitution and hurl free institutions into ruin. To one section of the party Biddle appeared as Emperor Nicholas, the imperial despot who sought to extend the sway of a moneyed aristocracy over the nation; to another wing he was "old Nick," equipped in imagination with horns, hoofs, and tail.

But no one was so thoroughly at home in this tempestuous warfare as the aged president of the United States. As his opponents continued to call down anathemas upon his gray head, his temper rose higher and higher, until it finally reached the bursting point. With paroxysms of rage he drove popular deputations from his presence. In response to the request of the Baltimore delegation for relief, he burst out: "Relief, sir! . . . . Come not to me, sir!—Go to the monster!— . . . . It is folly, sir, to talk to Andrew Jackson—The government will not bow to the monster." The chairman meekly injecting something about the people, the exasperated old man exclaimed: "The people! talk to Andrew Jackson, sir, about the people! The people, sir, are with me. I have undergone much peril for the liberties of this people, and Andrew Jackson yet lives, to put his foot upon the head of the monster, and crush him to the dust." The chairman remonstrated that Jackson's experiment was ruining the merchants. "The mammoth, sir," shouted the president, "has bled you! . . . . I would rather undergo the tortures of ten Spanish inquisitions than that

[1] *Ibid.*, Part II, p. 2659, Feb. 6, 1834.

the deposites should be restored, or the monster be rechartered." And thus he continued until his rage had grown too great to permit further discussion.[1] To the Philadelphia committee he said: "Andrew Jackson never would restore the deposites to the bank—Andrew Jackson would never recharter that monster of corruption— . . . . that sooner than live in a country where such a power prevailed, he would seek an asylum in the wilds of Arabia." As for "brokers and stock speculators, and all who were doing business upon borrowed capital, ... such people ought to break," and he threatened repeatedly to put an end to the circulation of branch drafts by forbidding their receipt in payment of the government revenues.[2]

Such being the temper of the leaders, that of the followers certainly did not lag behind. The grand jury of Davidson county, North Carolina, solemnly presented Andrew Jackson for "his arbitrary, despotic and unconstitutional conduct, in seizing the public money," his "reckless obstinacy," his "haughty and *kingly* deportment," besides a number of other equally monstrous offenses.[3] The Richmond *Whig* declared that if Congress adjourned without doing anything to end the distress, "the clangor of arms and the voice of battle" would "resound in the land" within six months.[4] The *Commercial Herald* of Philadelphia theatrically exclaimed: "We say in the face of the world, and with a solemn reliance on the God of the free, that this people are not excusable for remaining an hour longer quiet under the present state of constitutional degradation, and of national

[1] NILES, Vol. XLVI, p. 9, March 1, 1834; *C. D.*, Vol. X, Part III, pp. 3074, 3075. Report of committee signed by twenty-two members.

[2] NILES, *ibid.*, p. 31, March 8, 1834; *C. D.*, *ibid.*, p. 3074. On Jackson's sentiments about borrowers see almost the same expression in his letter to J. A. Hamilton, Feb. 2, 1834, *Reminiscences*, p. 270.

[3] NILES, Vol. XLVI, pp. 155, 156, May 3, 1834, quoting the New York *Courier and Enquirer*.

[4] CLAY, of Alabama, quoting the *Whig*, March 25, 1834, *C. D.*, Vol. X, Part III, p. 3144.

and individual ruin. Let the crisis be met!"[1] A Washington letter published in the Richmond *Compiler* voiced the writer's "sincere belief" that violence was certain. "My friends in the Northern cities tell me that, in their opinion, pistols will be flashed and dirks drawn in their streets before the expiration of another month. . . . There must be a bloody revolution. For one, though a cool and considerate man, I confess I am ready to whet my knife."[2] Both Jackson and Biddle received anonymous letters threatening assassination, and Jackson having had the bad taste to allow some to be published, the *Globe* overflowed with rage against the opposition which was inciting murder at the hands of "bank minions." Biddle, meanwhile, attained immense fame. His appearance in Wall street was a signal for the gathering of enormous crowds "to gaze upon the man who" had "been made conspicuous by the unrelenting hostility of President Jackson," while the merchants cheered him at the exchange.[3]

The Senate, too, was savagely assailed as an oligarchy attempting to overthrow the executive power in its own interest. The *Pennsylvanian* thought it should be amended or abolished, and intimated that violence would be visited upon the senators if they refused to pass the appropriation bill.[4] "Fearful reports" were "put in circulation." Rumor asserted that the president was about to issue a proclamation against the Senate, if his protest was not received, "and that a gathering" was "already making at Washington to support him, in certain *ulterior* measures."[5] At Baltimore

[1] IDEM, *ibid.*, quoting the *Herald*. [2] IDEM, *ibid.*, quoting letter of Feb. 16.

[3] *Diary of Philip Hone*, Vol. I, p. 96, March 15, 1834.

[4] "The democrats never heartily sanctioned it, and now, having the power, should amend or *get rid of it once and forever*."

"Let them, *if they dare*, and hasten the bursting of the storm which is already lowering above their heads. They have yet to learn to what an indignant people may be aroused."—NILES, Vol. XLVI, p. 131, April 26, 1834, quoting the *Pennsylvanian*.

[5] *Ibid.*, p. 145, May 3, 1834.

McDuffie referred to these reports and was tumultuously cheered when he said "that ten days after the entrance of the *soldiers* into the senate chamber, to send the senators home, that 200,000 volunteers would be in Washington."[1]

Meanwhile memorials and resolutions poured in, for and against the action of the president in removing the deposits, filled with denunciations and intemperate language. Painters, carpenters, coopers, tanners, watchmakers, cab-drivers, shoemakers, curriers, blacksmiths, and all the other component parts of the "sovereign people" joined in the discordant clamor. The inhabitants of Bucks county, Pennsylvania, resolved,

> As the deliberate opinion and the decided conviction of this meeting, That if Andrew Jackson, President of the United States, is sustained by the people in his reckless usurpations, and the monstrous doctrines promulgated by him and his kitchen cabinet, in the late protest, and sought to be enforced by prostituted presses, and by his pledged and collared partisans, tending to concentrate all power, executive, legislative and judicial, in himself, there is an end to liberty in this country, and the last refuge of freedom, the world's last hope, will cease to be a republic;[2]

while the freemen of Schuylkill county in the same state resolved to the contrary,

> That we approve highly of the course pursued by our venerable Chief Magistrate, with regard to the United States Bank, that we view it as a corporation dangerous to the permanency of our free institutions; subversive of a free and unbiassed expression of public sentiment, corrupt and corrupting, and now, in its desperation, a vampyre that would draw the last drop of blood from the veins of the honest yeomanry of the country, and revel in the glorious exhibition of the effects of its secret implements of destruction.[3]

The personal enmities and animosities engendered by the struggle may be measured by the social ostracism which was visited upon Philadelphians like C. J. Ingersoll who deserted

[1] NILES, Vol. XLVI, p. 146.

[2] *Ex. Doc.* 435, 23d Cong., 1st Sess., p. 4.

[3] *Ex. Doc.* 144, 23d Cong., 1st Sess.

the bank's cause in 1833, and by Adams's treatment of Richard Rush, who had warmly supported the bank in 1828, had requested the presidency of the Washington office in 1831,[1] and in 1834 urged his supporters to "go on with" their "patriotic work of extirpating such a corporation."[2] With righteous sorrow Adams gave Rush what old John Knox would call a "discharge of his friendship;" to Adams Rush was a moral pariah.[3]

These social ostracisms; these breakings of old-time friendships; these repeated charges and countercharges; these insinuations and insults, criminations and recriminations, bred a vehement ferocity in the congressional campaign of 1834 unknown for many years. It was by all odds the hottest campaign in which the bank was involved. It was the last desperate effort of the institution to secure a charter against the will of the president, and the last occasion on which the Whigs identified themselves with the big bank. The political passions generated during the struggle over the deposits had reached an excessive point, where no one listened to arguments, where everyone wished to declaim at the same moment, and where partisans on both sides were quick to proceed from words to blows and from threats to outrage. Each party to the contest felt that the struggle would be decisive of the bank's hopes. So important did Blair deem the crisis that he began in June the publication of the *Extra Globe*, to be issued at brief intervals throughout the campaign, with the object of contributing "one feeble ray to aid in disclosing the machinations of the great Tempter which now seeks to pollute and destroy the purest and happiest Government ever known upon earth."[4] The

[1] To Biddle, Jan. 31, 1831, *B. P.*

[2] *Extra Globe*, Vol. I, p. 122.

[3] "I received a letter from Richard Rush, still friendly in terms, but it closes all confidential correspondence between him and me forever. I can never repose confidence in him again. . . . . There is a moral obliquity in his present course which proves that his principles sit light upon him, and that he cannot stand fire in a minority long."—ADAMS, *Memoirs*, Vol. IX, p. 40, Nov. 29, 1833.

[4] Announcement of reasons for issue, *Extra Globe*, Vol. I, p. 1, June 28, 1834.

bank, on the other hand, relaxed its now evidently impolitic contraction, and covered the Union with swarms of articles disseminated for it in scores of instances under the franking privilege of its supporters in Congress; the Senate Committee on Finance, with John Tyler as reporter, investigated the bank and prepared a report supporting it on all essential points; and the Whigs went to work with zeal to secure the elections and prepare for a re-charter. Biddle hoped still: "when that [*i. e.*, the election] is over it will be time, I think, to discuss the renewal or the modification of the Charter."[1]

The elections were attended with riot and bloodshed, especially at Philadelphia, where a number of houses were burned by the mob; and when the decisive day came, Biddle took precautions, not so much for himself as for his family and the bank. Wife and children were sent out of the city; he made his house literally his "castle," filling it with armed men, while he stationed a force provided "with muskets and bayonets" in the bank on the night of the election to provide for its safety.[2] The precautions were unnecessary. No physical assault was made, but when morning dawned upon Biddle standing to his defenses in house and bank, it brought the news of a worse disaster than any mere mob could inflict. The Whigs were everywhere defeated, and the bank's days were numbered.

The campaign had another important effect. The Whigs at last were convinced that their alliance with the bank was a blunder, and henceforth the party silently dissociated itself from the moribund monster. The advisability of doing so had been pointed out much earlier by that subtile politician Thurlow Weed,[3] and immediately upon the close of the election he uttered a joyful *nunc dimittis* in the *Evening Journal:*

[1] To C. A. Davis [Major Downing], Sept. 14, 1834, *P. L. B.*, Vol. V, p. 257.

[2] Biddle to John Tyler, Oct. 23, 1834, *ibid.*, p. 270.

[3] WEED, *Autobiography*, p. 431.

> There is one cause of congratulation connected with the results of the recent election in which even *we* can participate. It has terminated the United States Bank war. . . . . After staggering along from year to year with a doomed bank upon our shoulders, both the bank and our party are finally overwhelmed. The burden, however, is now removed, and we hope to see the efforts of a great and patriotic party directed, with better chances of success, to the ultimate restoration of the rights of the people and the honor of the country.[1]

Four days later the *Journal of Commerce*, a staid Whig organ, published a review of the reasons for the defeat, in which every reason came back to the connection with the bank, which gave the party a hateful aristocratic character: the support of the institution, right or wrong, the panic fomented by "the tools of party for political effect," the unmeasured attacks upon the president in connection with the removal of the deposits, the unjustifiable curtailments of 1833–34—these were the causes of the party's defeat;[2] while Blair exulted because the party had ruined the bank. "Had the task been assigned to us to delineate for the opposition a course of conduct which should utterly destroy the present Bank, and forever prevent the establishment of another, we could not have devised one so effectual as that which they have pursued." At the same time he admitted that had the Whigs renounced the bank in 1832 "and come out in favor of a new institution, with a charter much modified, it would have been difficult, if not impossible, to prevent their success."[3] To these judgments unqualified assent may be yielded. Few causes have ever been more unwisely managed than that of the bank from the beginning of 1832 to the end of 1834, and now it had to see its friends, unwilling to be involved in its overthrow, silently desert it. Even Webster, its great-

[1] *Ibid.*, quoting the Albany *Evening Journal*, of Nov. 15, 1834.

[2] *Extra Globe*, Vol. I, pp. 354, 355, 357, 358, quoting the *Journal of Commerce* of Nov. 19, 1834.

[3] *Ibid.*, p. 355, Nov. 24, 1834.

est and most influential champion, coldly gave up its advocacy, declaring that "the people had decided against" the bank, "public opinion had decided against it!"[1] Biddle upbraided him sorrowfully and reproachfully for his apostacy,[2] but from this time Webster's hearty co-operation ceased.

Jackson's message of 1834 as usual expressed hostility to the bank. The president censured it for withholding the dividend due on the government's shares in order to force payment of the bank's charges for the protested French bill, and closed by recommending the sale of the government's stock, the cessation of the reception of its notes in payment of government revenues until the bank had paid the dividend, and the repeal of "all laws connecting the Government or its officers with the bank, directly or indirectly."[3] As a set-off, the Senate Committee on Finance offered its report favorable to the bank. The message and report were supported and attacked, but there was little heart in the support and not much more in the attack. The affair was virtually closed.

[1] In Senate, Feb. 26, 1835, *The Works of Daniel Webster*, Vol. IV, p. 200.

[2] Biddle to Webster, April 6, 1835, *P. L. B.*, Vol. V, p. 369.

[3] *Messages and Papers*, Vol. III, pp. 109–11.

CHAPTER XV

THE LAST DAYS OF THE BANK

THE results of the election of 1834 having decided that the bank was doomed, it had now to prepare for the end, and it began immediately to do so. Accordingly one would expect that its business would diminish all through 1835. But this was not the case, for the monthly returns furnish proof that the bank carried a larger active debt through the last months of its existence than at almost any other period of its history.

A review of its transactions will show how extensive they were. By February, 1835, the total debt was $55,000,000; by July it was $65,000,000; and by January, 1836, it stood at $59,000,000. The remaining items were, as a matter of course, correspondingly extensive. Thus the note circulation reached a higher level in 1835 than in any other year of the bank's history. On July 1 it stood at $25,000,000, and at the close of the year it was over $23,000,000. All through 1835 the amount of specie held was also unusually large. At the beginning of February the amount held was over $16,000,000, on October 1 it was $12,545,000, and in December it was $8,749,000. The total showed no considerable diminution until March, when it was $5,595,000. This result was due to the increase of the bank's transactions because of its new Pennsylvania charter. In like manner, deposits kept up until August and then fell away rapidly. The whole movement is revealed by the chart on p. 361.[1]

1	Discounts on Personal Security	Discounts on other Security	Domestic Exchange	Total	Circulation	Specie	Deposits of Individuals
Feb. 1	31,354,000	3,962,000	20,208,000	55,524,000	19,733,000	16,369,000	8,755,000
April	32,161,000	5,013,000	22,926,000	60,100,000	20,544,000	16,448,000	9,372,000
Aug.	33,638,000	6,478,000	24,198,000	64,314,000	24,329,000	12,883,000	8,508,000
Nov.	30,499,000	9,176,000	17,854,000	57,529,000	23,031,000	10,224,000	5,406,000
Jan., 1836	25,775,000	14,206,000	19,251,000	59,232,000	23,075,000	8,417,000	4,369,000

—*S. D.* 128, 25th Cong., 2d Sess., and *S. D.* 312, 24th Cong., 1st Sess.

One would be misled, however, if he supposed that the business of the bank was increased because the managers did not intend to close up its concerns. Most of the increase was explicable enough, resulting from the policy of the directorate in making long loans in settling up the bank's affairs —loans which appeared as discounted paper in the monthly returns. This policy contemplated getting control of the capital without exerting pressure upon the business community. The enormous amount of specie secured and retained so long as the bank adhered to its design of closing up, proves how successful the effort was. Writing in June, Biddle pointed out the policy under which he was acting, showing that the attempt was to concentrate the capital in the East, "while the diminution is going rapidly on in the more distant and unmanageable points. This is in fact the great problem. I am endeavoring to work the insensible concentration of the funds of the Bank in large masses of disposable capital, while the process of reduction is going on without being felt."[1]

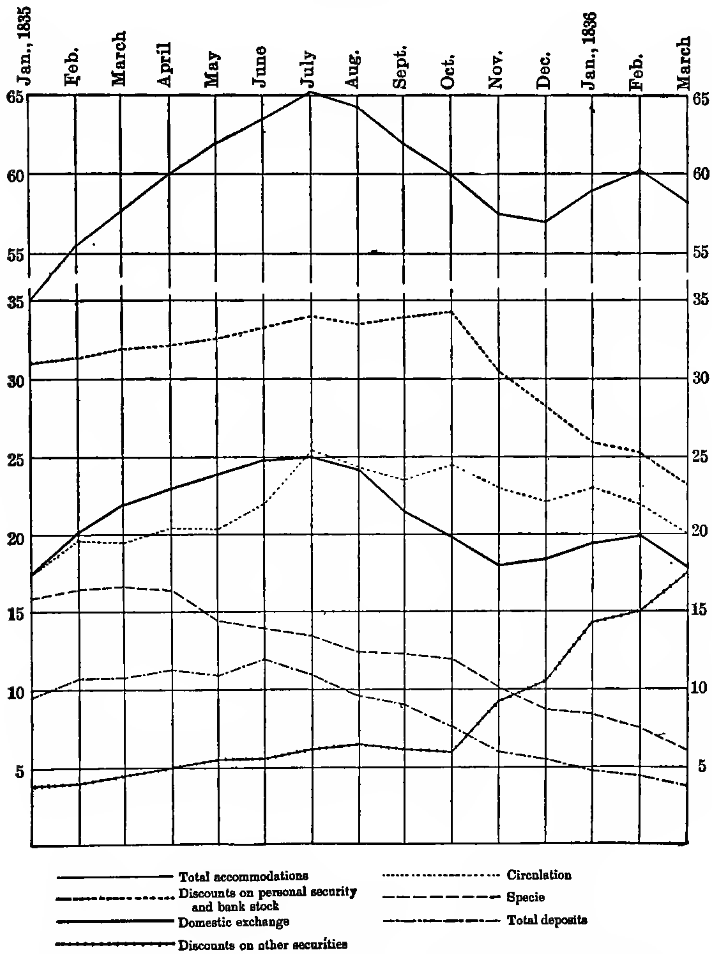
Remembering this statement of policy, it is easy to explain most of the business done. Thus it will be found that the dealings in exchange were particularly large.[2] Not only so, but the major part of the bills were drawn on the East and New Orleans, while those on the West diminished almost to the vanishing point. Thus out of $16,614,000 in bills of inland exchange, falling due about March 3, 1836, $14,970,000 were payable at the offices of Philadelphia, New York, Boston, and New Orleans, while at all the western offices the sum payable was only $95,000.[3] Another fact will also be revealed: the exchange transactions in the Mississippi valley, though infinitely less extended than usual, are much larger than usual at New Orleans, $7,000,000 being payable

[1] Biddle to C. A. Davis [Major Downing], June 5, 1835, *P. L. B.*, Vol. V, pp. 372, 373.

[2] See Appendices VI and VIII.

[3] *Ex. Doc.* 118, 24th Cong., 2d Sess., p. 128.

CHART V



MOVEMENT OF PRINCIPAL ITEMS WHEN CLOSING UP THE BANK

at this office alone on the 3d of March, 1836.[1] In brief, the loans at the small and distant offices fell off rapidly, while they increased rapidly at the large eastern branches.

These facts lead to one conclusion and only one: The bank was getting its capital from the distant branches to the Atlantic offices by dealings in exchange. Much credit is due to it in this respect, for, if it intended to cease business, this was precisely the manner in which it must operate.

Similarly in the item of "discounts on other security" the increase was largely due to the closing up of the bank's concerns, being made with the idea, first of keeping its funds employed while its affairs were being settled, and secondly as a result of granting stock loans in the process of selling the branches. This is the noticeable item in the bank's returns in 1835, and how remarkable the increase was a few figures will show. Thus in February, 1835, the amount loaned "on other security" was only $3,900,000, a figure which it had never before exceeded, while by March 3, 1836, it had reached the enormous sum of $17,300,000, according to the monthly reports. But there were still to be added loans on bank stock and other amounts, accruing from the sale of distant branches and not yet known at the central office, which made the aggregate $28,600,000.[2] Most of these loans were made at Philadelphia, New York, Baltimore, and Charleston.[3] Since this state of affairs was due to the settlement of the bank's business, in what appeared the best and most feasible method, it is not to be condemned. It was nevertheless decidedly unfortunate, for it constitutes the real beginning of a great deal of the bad business of the

[1] *Ex. Doc.* 118, 24th Cong., 2d Sess., p. 128.

[2] "Besides the long paper arising from these sales, loans for one or more years were made both at the bank and its offices, principally with a view to the employment of the funds during the process of winding up. . . . . The total amount of long loans is, therefore, $28,624,289.31, and there are others at some of the other offices which it would take time to ascertain."— Commissioners of the bank to the government commissioners, Oct. 19, 1836, *ibid.*, p. 42.

[3] *Ibid.*

bank. Nor is it necessary to suppose that there was anything wrong before this to explain the bank's final overwhelming ruin. The errors which led to that disaster began in this loaning of immense sums on the security of bonds and stocks, which depreciated rapidly during the critical years of 1836 to 1841, and brought the bank into difficulties from which it could not be extricated. From the moment when it made its first great loans on stock to its fall, one can trace the steps by which it was hurried headlong to a monetary catastrophe unequaled since the breaking of the South Sea Bubble.[1]

There remains for consideration only the regular discounts on mercantile paper. At the distant branches these fell off to a considerable extent, being transformed into bills of exchange payable in the East; but at Philadelphia, New York, New Orleans, and some of the other large offices they remained at the old figures or exceeded them. The demand for loanable capital was indeed very great. An immense expansion in all lines of trade and industry had been gathering head since 1830, and was now in full swing. The price of cotton in 1835 reached a very high figure, and its cultivation led to an almost unparalleled inflation in the Mississippi valley. Everyone borrowed money, quite regardless of his future ability to pay, and invested it in slaves or land, with the object of increasing the culture of cotton.[2] The speculation in land was astonishing;[3] north, south, east, and west everyone was trading in real estate.[4] Internal

[1] See the chart, p. 361, for the movement in "other securities."

[2] "The high price of cotton, ... which began to rise in 1833, having made the culture of it a most gainful pursuit, many were tempted to borrow money for the purpose of buying lands, and of purchasing slaves, as well as for the ordinary interior traffic."—TUCKER, *On Money and Banks*, p. 373.

[3] Sales of public lands:

1833	$ 3,900,000	1836	$24,800,000
1834	4,800,000	1837	6,700,000
1835	14,700,000		

[4] The writer of the pamphlet *Reflections upon the Present State of the Currency in the United States*, published in 1837, declares that $30,000,000 were invested in land

improvements were also projected on a vast scale, and enormous sums were expended in the building of railways and canals. More miles of railway were built in 1835 than in any other year in that decade.[1] All this led to a very active demand for capital. The facilities for meeting the demand, however, had been created by the chartering of numerous new state banks and a tremendous expansion of their loans. From 1830 to 1836 the state banks in the United States increased their paper issues from $60,000,000 to $140,000,000, their loans from $200,000,000 to $457,000,000.[2] In 1830 there were 330 state banks;[3] in 1834, 506.[4] Under such circumstances the supply of capital in 1835 was adequate to the demand.[5] Consequently the Bank of the United States for the most part steadfastly resisted the temptation to make loans, though not in every instance, the New York office apparently seizing the opportunity afforded to make large and unjustifiable loans.[6] The excuse for extending in New York in December must, however, be admitted, for in

in 1835, which "within a similar portion of time had never before attracted over 7 or 8, and rarely over 5" millions. Even lands in Massachusetts were speculated in; "Towns were plotted and sold—Timber, lands, stone-quarries—water-power and coal-mines,—everything that could be twisted to a possibility of future use."—Pp. 22, 23. Sumner says that the real estate of New York was assessed at $309,000,000 in 1836, and that it was not again assessed at as high a figure until 1851.—*History of American Currency*, p. 119.

[1]

1830	23 miles in operation	1836	175 miles built
1831	72 miles built	1837	224 " "
1832	134 " "	1838	416 " "
1833	151 " "	1839	389 " "
1834	253 " "	1840	516 " "
1835	465 " "		

—POOR, *Manual of Railroads*, 1874-75, p. xxvii.

[2] *Reflections upon the Present State of the Currency of the United States*, p. 15.

[3] ADAMS, *Gallatin's Writings*, Vol. III, p. 356.

[4] Wilde's report, *Ex. Doc.* 498, 23d Cong., 1st Sess.

[5] It was "a golden age for money-borrowers. . . . In January appeared the following and like advertisements: . . . . 'Money may be had at 5 per cent. per annum on deposit of bank stock as security . . . $15,000, to loan on bank stock at 5 per cent. per annum.'"—JOSEPH G. MARTIN, *Twenty-one Years in the Boston Stock Market*, p. 7.

[6] "It is probably well and very well to, to put a stop to the way we are going on here in the manner we are making loans."—Lenox to Biddle, Jan. 22, 1836, *B. P.*

that month the city suffered severely from a disastrous fire, and for the benefit of the insurance companies, and at the request of the merchants, the bank opened a credit of $2,000,000.[1] A further increase of business was occasioned by the demand for the bank's notes on the part of new state banks which were being organized.[2] This would account for the phenomenal increase in its circulation.

On the whole, the directors managed their affairs in a laudable manner all through 1835, and were clearly busy setting their concerns in order for the purpose of final settlement. In addition to the transfer of funds to the East from the distant offices by the means of exchange operations, as already explained, these preparations for closing up consisted in loaning the bank's capital at long dates while selling out the branches. The sale of the branches included the disposal of the active debt,[3] the suspended debt, and the real estate, including the banking houses—in fact, everything that the bank owned in these branches—this being a much more expeditious mode of settlement than for the bank to attempt to collect all its debts itself. Moreover, it would be much easier for the community, since those who bought the debt would continue the business of the office, whose immediate closing would in many cases have occasioned distress and considerable loss both to the community and to the bank.[4] The property was for the most part sold to local banks in the cities or towns where the branches were established.[5] Sometimes the active debt went to one, the suspended debt to another, and the other items to a third.[6]

Money was very plentiful early in 1835, and the bank took the opportunity thus afforded to collect its debts in the

1 Biddle to Albert Gallatin, Dec. 21, 1835, NILES, Vol. XLIX, p. 307.

2 Biddle to C. A. Davis [Major Downing], June 5, 1835, *P. L. B.*, Vol. V, pp. 371, 372.

3 This is frequently what is meant by selling the office, *i.e.*, the sale of its active debt.

4 R. L. Colt to Biddle, July 2 [1835], *B. P.*

5 *Ex. Doc.* 118, 24th Cong., 2d Sess., pp. 105–7.

6 NILES, Vol. XLIX, p. 181.

way described.[1] It began the sale of its offices as early as the month of March, when orders were issued to the branches at Fayetteville, Cincinnati, Savannah, Richmond, Utica, and Lexington to cease making new loans.[2] Washington received similar orders in April,[3] and Louisville and St. Louis in May.[4] In June the Hartford, Utica, and Portsmouth offices were actually closed, Buffalo and Burlington were on the point of closing, while the nine other offices above mentioned were rapidly reducing their loans.[5] Late in the same month the office at Nashville ceased active dealings, though it is worthy of note that a long term was granted it in which to put its affairs in order. It was to cease discounting; its old debts were to be settled by the 4th of March, 1836; its more recent debts, founded on bills to New Orleans, were to be settled within six months of November, 1835; and the office was to be closed on the 1st of May, 1836.[6] The western business was evidently to be settled through this office, which was to collect and remit to New Orleans. The Lexington branch had arranged to close up its affairs in August,[7] while the New Orleans office was instructed in October to cease taking bills on the West or on Baltimore,[8] and this order probably marks the end of the bank's active business in the western and southwestern country.

By November 30, 1835, the bank had disposed of the active debt of nine branches.[8] By the 3d of April, 1836,

[1] NILES, Vol. XLVIII, p. 128, April 13, 1835.

[2] Biddle to the presidents of these offices, March 24-8, *P. L. B.*, Vol. V, pp. 341-2.

[3] Biddle to the president of the Washington branch, April 3, *ibid.*

[4] Biddle to the offices, May 4 and 29, *ibid.*, pp. 354, 367.

[5] "Portsmouth and Hartford and Utica are closed; Buffalo and Burlington soon will be; while Lexington, Cincinnati, St. Louis, Louisville, Fayetteville, Norfolk, Washington, Richmond and Charleston are under a process of rednction."—Biddle to C. A. Davis, June 5, *ibid.*, p. 373.

[6] NILES, Vol. XLVIII, p. 310, July 4, 1835, quoting a Nashville paper.

[7] *Ibid.*, p. 410, Aug. 15, 1835.

[8] *Ibid.*, Vol. XLIX, p. 138, Oct. 31, 1835, quoting the New Orleans *Union*.

[8] These were Portsmouth, Baltimore, Fayetteville, Buffalo, New Orleans, Natchez, St. Louis, Cincinnati, and Charleston.—*Ex. Doc.* 118, 24th Cong., 2d Sess., p. 109.

the number was eighteen.[1] Moreover, three offices had been closed without the sale of their assets.[2] There remained, therefore, only Boston, New York, Savannah, Nashville, and the mother office unsold, and these were rapidly getting their affairs settled. The intention in the case of Philadelphia, New York, and Boston was not to sell the debts, but to collect them, as this could be done more advantageously for the bank.[3] The suspended debt in the South would be collected at Savannah and that in the West at Nashville. Meanwhile the eastern discounts were to be diminished, Biddle instructing the New York office in August to reduce its discounts, to cease the collection and purchase of bills on the western and southwestern offices, to stop discounts on bank stock excepting for long dates, and to increase its supply of specie.[4] A week later he forwarded like instructions to Baltimore.[5] In October, however, came a change, the stockholders being encouraged to take long loans on their stock at 5 per cent. interest, in order to keep the stock together "to await the contingency of an incorporation from any other quarter."[6] This is the first intimation in Biddle's correspondence of a new policy in connection with the project of securing a state charter. Up to this moment the bank had conducted its affairs apparently with no intent but that of closing up. "The bank," wrote Biddle late in August, "is winding up its affairs, quietly and certainly. The nature of its operations which consist mainly in selling out its debts on long credits, is calculated to ease the debtors, and our great object

1 Richmond, Portland, Lexington, Providence, Mobile, Norfolk, Burlington, Pittsburg, and Lonisville.—*Ibid.*

2 Hartford, Utica, Washington.—*Ibid.*, p. 291, Dec. 26, 1835, quoting the *National Gazette*. Niles says five, but is in error.

3 Case of New York, Biddle to C. A. Davis, Nov. 13, 1835, *P. L. B.*, Vol. V, p. 409; Boston, same to Wm. Appleton, Nov. 17, 1835, *ibid.*, p. 410.

4 Biddle to Jaudon, Aug. 7, 1835, *ibid.*, pp. 386, 387.

5 Same to John McKim, Jr., Aug. 15, 1835, *ibid.*, p. 392.

6 Biddle to W. Hughlett, Oct. 31, 1835, *ibid.*, *circa* p. 400.

is to close its concerns in such a manner as to avoid all pressure."[1] Even now that the idea of a new charter was seriously adopted, the institution varied its policy but little. Discounts ceased in New York city on the 23d of January, 1836;[2] virtually no loans were made at any of the other branches, and in April the debts at Boston were being collected so rapidly as to cause much distress.[3]

The ease with which the debts were collected, the facility with which the offices were sold, and the terms at which they were sold furnish conclusive evidence of the bank's condition. The sum realized by the sale of active debts up to the 3d of April, 1836, was $15,716,726.53.[4] There was no difficulty in making the sales at good prices to responsible parties, the debts being sold "at their par value, without any actual deduction for the risk and expense of collection."[5] Biddle considered "the arrangements . . . . very advantageous."[6] The branch which brought the highest sum was New Orleans; next came Charleston, and after that in order were Baltimore, Louisville, Mobile, and Natchez.[7]

As a rule, cash was not paid for these debts, but instead promissory notes were given, secured by collateral. The terms were usually payment in four years, with interest until paid at from 4 to 6 per cent., the larger part of the debt bearing 5 per cent. interest.[8] The security given was generally in stocks and bonds, frequently the stocks or

[1] To Silas M. Stilwell, of New York, Aug. 24, 1835, *P. L. B.*, Vol. V, p. 393.

[2] NILES, Vol. XLIX, p. 387.

[3] President William Appleton to Biddle, Boston, April 7, 1836, *B. P.*

[4] *Ex. Doc.* 118, 24th Cong., 2d Sess., p. 109.

[5] Report on the debts and effects of the Bank of the United States on March 3, 1836, government commissioners to Secretary Woodbury, Jan. 25, 1837, *ibid.*, p. 19.

[6] To John McKim, Jr., Aug. 15, 1835, *P. L. B.*, Vol. V, p. 392. It must be remembered that these were for "active debts" only; suspended debt would be sold under other arrangements, or collected, while bills of exchange were collected by the bank.

[7] The prices paid were $3,500,000, $2,073,645.61, $1,339,776.46, $1,100,000, $1,095,446.79, and $1,043,278 respectively.

[8] Out of $15,700,000, $8,200,000 was at 5 per cent.—*Ex. Doc.* 118, 24th Cong., 2d Sess., p. 109.

bonds of the corporation which bought the debt.[1] In sixteen cases the sale was made to banks, and the securities of these were taken; in one case the notes of individuals were received, and in one case the purchase money was paid down.[2] The misfortune which followed this disposal of the bank's business was that much of its capital was thus tied up in long loans for from one to twenty years, while it accumulated enormous quantities of the stock of various institutions, which it would have been better off without.

Further settlement of the bank's business was made in the items of "suspended debt," "real estate," and "banking houses." In December, 1835, the bank owned real estate, apart from its banking houses, valued at $1,110,924. By October 19, 1836, the corporation had sold of this lands and buildings to the value of $356,258.[3] In these transactions the sale of banking houses is not included. These the institution parted with at a slight loss. By October, 1836, it had sold all but seven, receiving from the purchasers $640,-100 for property which had cost $666,077.[4] A loss of $89,621 was calculated to result at the sale of the remaining houses.[5]

The suspended debt amounted to $3,481,000 on the 3d of March, 1836. It was much increased by the operations consequent upon the settling of the bank's affairs. For instance, at one office alone $405,280 had been added to it,[6]

[1] *Ibid.*, p. 101. $1,761,100 on stock of the Bank of the United States.—*Ibid.*, p. 104. In one case the credit given was for four, five, six, and seven years on $250,-000 at 4 per cent.; in another, twenty years on $1,000,000 at 5 per cent.—*Ibid.*, p. 42. This last was the sale of the Cincinnati branch to the Ohio Life and Trust Co.—*Ibid.*, pp. 78, 106.

[2] *Ibid.*, p. 109.

[3] *Ibid.*, p. 117. The real estate was expected to net an actual gain to the bank; $1,532,000 was estimated to bring in profits amounting to $111,900.—*Ibid.*, p. 115.

[4] *Ibid.*, pp. 112, 113.

[5] *Ibid.*, p. 112.

[6] This sum was in domestic exchange.—P. 48. It is worthy of note that the items composing the "suspended debt" were mostly bills discounted, and not bills of exchange. On the 3d of March, 1836, the account was as follows:

Bills discounted on personal security	$2,672,693.97
Bills discounted on other security	498,851.98
Domestic bills of exchange	244,333.23
Foreign bills protested	114,285.41
Total	$3,530,164.59

—*Ibid.*, p. 92.

and at another $232,000.[1] This debt was far from being a complete loss. For example, at Lexington the Bank of Kentucky agreed to manage and collect it without charge,[2] while the bank calculated that out of the whole it would lose $1,297,979.[3] Even so, however, the suspended debt of $3,481,285 would be worth $2,183,306. Suspended debt and real estate together were calculated at $6,822,000 in July, 1834, while by July, 1836, in spite of many additions to the items, the bank had diminished the whole to $4,427,-000. In other words, $2,355,000 had been secured in that time, over one-third of the whole original amount.[4] The showing is an excellent one.

It has already been several times said that the most questionable result of these methods of closing out consisted in the creating of long loans on stock securities. Many of the bills of exchange were also taken for doubtful debts and at long terms.[5] When the bank ceased doing business on the 3d of March, 1835, the bills to be collected amounted to $16,413,144.26, and it was calculated that by October 28, 1836, only one-half of this sum was paid.[6] The loans on bank stock and other security, moreover, amounting to over $5,300,000, had all been renewed with slight exceptions.[7] The commissioners for the bank estimated that by October 28, 1836, only $22,727,000 had been collected out of a debt due in March of $54,890,000.[8] Of course, it must be remembered that most of the sales of the branches were on notes due only in one, two, three, and four years. Unhappily, the

[1] Natchez.—*Ex. Doc.* 118, 24th Cong., 2d Sess., p. 124.

[2] Biddle to John Huske, of Fayetteville, N. C., Aug. 6, 1835, *P. L. B.*, Vol. V, p. 386.

[3] *Ex. Doc.* 118, 24th Cong., 2d Sess., pp. 114, 115. It may be worth while to remark that the item of suspended debt does not appear in the bank reports before March, 1836. It must therefore be entered under the caption of bills discounted. On the sale of suspended debt at Cincinnati the bank lost $140,846.—*Ibid.*, p. 53.

[4] *Ibid.*, pp. 118-25.

[5] "At other offices, bills at long dates were taken in payment of doubtful debts, and are not yet at maturity."—Letter of the Committee of the Bank, *ibid.*, p. 48.

[6] *Ibid.* [7] *Ibid.* [8] *Ibid.*, pp. 47-9.

actual state of the bank is considerably obscured by the fact that the corporation continued business under a state charter, without opening a new set of books,[1] thus making it impossible to disentangle the accounts of the old bank from those of the new.

Several conclusions, however, may reasonably be drawn: the bank's affairs were in good order; though many of its debts might have to be renewed, the vast majority of them were secured by business firms as reputable as any then existing in the United States;[2] and it had a surplus in excess of all losses of $6,155,177 when it ceased to be a national bank.[3] With the capital stock and the funds due stockholders, the books showed a total of $70,500,000 of first-class assets to meet outside liabilities of a little over $26,000,000, by far the larger part of which was circulation. The specie on hand was $5,595,000. The bank was solvent, and more than solvent; it was prosperous.[4] Its profits had

[1] *Ibid.*, p. 42. [2] See the list, *ibid.*, p. 105. [3] *Ibid.*, p. 129.

[4] State of bank, March 3, 1836 (cents omitted):

ASSETS		LIABILITIES	
Notes discounted and bills of exchange	$57,368,019	Capital	$35,000,000
Real estate and banking houses	2,212,390	Circulation	21,109,352
Mortgages, etc.	101,449	Due Barings	371,777
State banks: balances and notes due	4,933,178	Dividends unclaimed	253,938
Specie	5,595,077	Discount, exchange, and interest	1,105,647
Deficiencies	149,797	Due to bank and offices	1,548,869
Expenses	166,803	Public debt	120,622
		Due depositors	3,594,048
		Profit and loss	3,765,032
		Foreign-exchange account	925,020
		Fund for banking houses	1,104,223
		Contingent fund, less losses chargeable	1,628,185
Totals	$70,526,713		$70,526,713

—*Ibid.*, p. 100.

The loss and estimated loss on banking houses, Oct. 19, 1836, was $114,635.83. The surplus from this fund, therefore, was $989,587.26.—*Ibid.*, p. 112. The losses chargeable to contingent fund aggregated $4,304,000.—*Ibid.*, p. 88. Most of this was lost during the administration of William Jones.—*H. R.* 460, 22d Cong., 1st Sess., p. 217. The suspended debt amounted to $3,415,000.—*Ex. Doc.* 118, 24th Cong., 2d Sess., p. 87.

been large, its losses small during the administrations of Langdon Cheves and Nicholas Biddle, for even at closing the larger part of the losses were chargeable to the administration of William Jones.

Everything seemed to be in the way of final settlement, but unfortunately the bank did not go out of existence at this time; unfortunately the complete settlement of its affairs did not take place. The project of a Pennsylvania charter was started, and the bank immediately ceased its preparations for closing.[1] This was the end of the whole movement. In February the bank was chartered by the state of Pennsylvania, under the style of the Bank of the United States of Pennsylvania. The new institution went on under the old president, became the trustee of the defunct corporation, whose president now was Mathew Bevan, reissued the notes of the old bank, and continued the use of the old books, thus involving in immense difficulties any attempt to reach a settlement.[2]

The consequence was serious, for there was one stockholder which urgently demanded a settlement, and whose demands had to be satisfied, since the new bank went on without this partner. This was the government of the United States. In his message of 1834 Jackson referred to the bank as "the scourge of the people," and urged a settlement upon Congress, to be reached by selling the government stock.[3] On September 18, 1835, Secretary Woodbury wrote Biddle, asking him for information as to the bank's inten-

[1] Biddle to J. W. Webb, Feb. 16, 1836, *B. P.*

[2] "The difficulties in making a satisfactory estimate have been increased by the course adopted by the bank, in not closing its concerns on the 3d of March last, at the expiration of its charter, in the customary manner; or, at least, in not requiring new books and accounts to be opened by its trustee, and in not retaining or cancelling its redeemed circulation, instead of re-issuing it after the transactions of the bank chartered by Congress had ceased."—Woodbury, *Ex. Doc.* 118, 24th Cong., 2d Sess., p. 3. Congress specifically repealed the 14th section of the charter in June, 1836, in order to put an end to any responsibility of the government to take the old notes.—*Statutes at Large*, Vol. V, p. 48, c. xcvii.

[3] *Messages and Papers*, Vol. III, pp. 108, 109, Dec. 1, 1834.

tions in regard to reimbursing the government for its shares in the capital stock.[1] Biddle replied that nothing had yet been decided upon.[2] The president in his annual message for 1835 urged Congress to begin proceedings to bring about a settlement with the bank,[3] and Congress responded by an act of June 23, 1836, appointing Secretary Woodbury the agent of the nation with full powers to make terms.[4] Woodbury then addressed a letter to President Bevan of the old Bank of the United States, asking for information and the intentions of the directors.[5] The secretary was referred for an answer to the new bank.[6] In September Biddle wrote Woodbury, saying that a commission appointed by the bank had arranged the matter, and offering to submit the materials on which it had based its conclusions.[7] The commission had been appointed to evaluate the stock without a word to the government on the subject, though the government was the party most interested. The calculation reached was that the stock of the bank was worth $111.47 a share,[8] an estimate which was revised so as to make the value $111.87.[9]

Commissioners appointed by Secretary Woodbury believed that the correct value was $115.58.[10] The bank finally offered to pay at a valuation of $113.44 a share.[11] This was refused, and here negotiations obstinately stuck. The whole amount of stock owned by the United States at the time was 68,752 shares, and the difference involved in the diverse estimates of the government and the bank was at least $242,000.[12] The secretary of the treasury had hoped to get

[1] *S. D.* 2, 24th Cong., 1st Sess., p. 39. [2] *Ibid.*

[3] *Messages and Papers*, Vol. III, p. 163, Dec. 7, 1835.

[4] *Statutes at Large*, Vol. III, p. 56, c. cxvi.

[5] *Ex. Doc.* 118, 24th Cong., 2d Sess., p. 28, June 25, 1836.

[6] Bevan to Woodbnry, July 25, 1836, *ibid.*, inclosing a resolution of the Bank of the United States of that date, *ibid.*, pp. 28, 29.

[7] *Ibid.*, p. 29, Sept. 10, 1836. [8] *Ibid.*, p. 83.

[9] *Ibid.*, p. 49. [10] *Ibid.*, p. 18. [11] *Ibid.*, p. 20.

[12] Woodbury's report to Congress, *ibid.*, p. 2.

about $4,000,000 from the bank in 1836.[1] The bank, on the other hand, declined to pay anything in that year, wishing to begin payments in 1838.[2] Woodbury was disappointed, and, in sending the report of the commissioners to the House, censured the bank, particularly for its failure to post up the old books and for its reissuing of the old notes.[3] Jackson, who had not once failed to strike at the bank in his annual messages, did not neglect this new opportunity, but denounced the institution for its delaying to settle with the government and for its reissue "of the notes of the expired corporation"—an act "sanctioned by no law and warranted by no necessity."[4]

The government commissioners had offered to accept payment for the stock at an evaluation of $115.58 a share, the bank to pay the government interest at 6 per cent. until the shares were paid off. Woodbury's report of the failure to arrange affairs satisfactorily had been made on January 30, 1837. On February 24 of the same year the president and directors of the Bank of the United States presented a memorial to the government petitioning to have the debt due by the bank to the United States liquidated.[5] Biddle declared that the reason for the bank's delay in settling was mainly due to the stipulation that the funds retained on account of the French indemnity affair should be surrendered to the government. He asserted that the bank was ready and anxious to settle, and would gladly accede to everything that the secretary of the treasury had demanded in his report. "The Board of Directors," he concluded, "agree, at once, to those terms, and are ready to carry them into execution."[6] Woodbury rejoined to the memorial with bitter sarcasm, corrections, and an exegesis of his own.[7]

[1] *Ex. Doc.* 118, 24th Cong., 2d Sess., p. 1. [2] *Ibid.*, p. 18. [3] *Ibid.*, p. 3.

[4] *Messages and Papers*, Vol. III, p. 252, Dec. 5, 1836. [5] *S. D.* 201, 24th Cong., 2d Sess.

[6] *Ibid.*, p. 3. [7] *S. D.* 208, 24th Cong, 2d Sess., Feb. 27, 1837.

Congress on the 3d of March directed the secretary to accept the bank's offer.[1] This was done. Four bonds of the bank, payable in September, 1837, 1838, 1839, and 1840 at 6 per cent. interest, were taken as security for the debt—the sum being $7,866,145.49. The bank redeemed the first two bonds at "about the time they became due."[2] In 1838, as a consequence of the commercial panic, the secretary of the treasury was in urgent need of funds, and sold the third bond, the bank being the purchaser. It was the irony of fate which so disposed events that Van Buren's secretary of war was forced to admit that the purchase of the bond by the bank furnished "the only means by which a failure to meet the pecuniary engagements of the United States, or the alternative of another call of Congress by the President, could be avoided."[3] The fourth bond was redeemed in 1840, and thus the government finally cleared itself of its interest in the bank, which was left to run its disastrous course under its Pennsylvania charter.

[1] By Joint Resolution No. 5, March 3, 1837, *Statutes at Large*, Vol. V, p. 200.

[2] Woodbury's report, Dec. 24, 1838, *S. D.* 31, 25th Cong., 3d Sess., p. 1.

[3] Poinsett to Van Buren, Jan. 11, 1839, *S. D.* 78, 25th Cong., 3d Sess., p. 2.

CHAPTER XVI

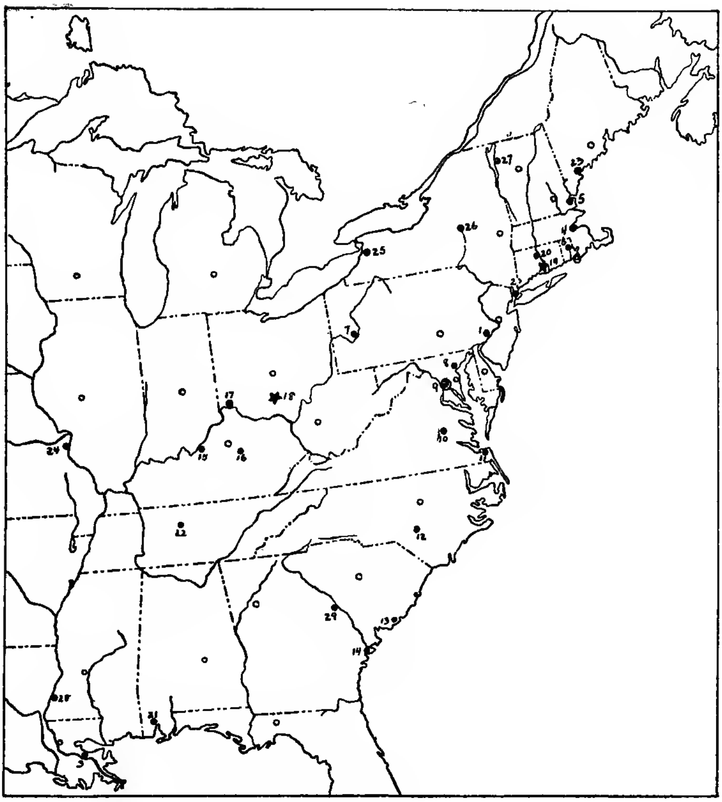
THE BRANCHES AND THEIR ADMINISTRATION

THE possession of branches was the most characteristic and the most essential feature in the plan of the first and second Banks of the United States. Without them they would have been virtually useless to the government; unable to exercise an efficient control over the state banks; incapable of furnishing accommodations in discounts and exchange throughout the country; unprovided with a note circulation of uniform value, or with any extended currency. On the other hand, they would have been relieved from hostile contact with states and state banks, and freed from the charge of unconstitutionality.

The charter authorized the corporation to establish offices anywhere in the United States and to appoint annually the branch directors, who were to number not over thirteen nor less than seven, and who must be citizens of the United States resident in the state in which the branch was located. They were empowered to appoint one of their number president of the branch; one-fourth of them were to retire each year, and none excepting the president could be appointed for more than three years in succession. The central directory made whatever regulations it deemed best for the government of the branches, providing that they were not "contrary to law" or to "the constitution of the Bank,"[1] while the treasury must deposit its funds in the branches, if such existed in the states where the funds were collected.[2]

[1] Charter, sec. 11, Art. 14. See Appendix I.

[2] *Ibid.*, sec. 16. But the secretary of the treasury might order their removal if he saw fit. He must, however, give his reasons to Congress. Other stipulations of little moment made it obligatory upon the corporation to establish a branch in the District of Columbia when required to do so by Congress, and in any state where



Stars on the map indicate defunct branches.

BRANCHES

1. Philadelphia 1817
2. New York - - 1817
3. New Orleans 1817
4. Boston - - - 1817
5. Portsmouth - 1817
6. Providence - 1817
7. Pittsburg - 1817
8. Baltimore 1817
9. Washington - 1817
10. Richmond 1817
11. Norfolk - 1817
12. Fayetteville - 1817
13. Charleston - 1817
14. Savannah - 1817
15. Louisville 1817
16. Lexington 1817
17. Cincinnati - - 1817 (discontinued 1820; re-established 1825, together with an agency)
18. Chillicothe - - 1817 (discontinued 1825, and agency established)
19. Middletown - - 1817 (removed 1824 to Hartford)
20. Hartford - 1824
21. Mobile - 1826
22. Nashville - 1827
23. Portland - 1828
24. St. Louis - 1829
25. Buffalo - - 1829
26. Utica - - 1830
27. Burlington 1830
28. Natchez - - 1830

AGENCIES

Chillicothe 1825
Cincinnati - 1825
29. Macon - - 1830–34

THE LOCATION OF THE BRANCHES AND AGENCIES

The qualifications for directors were similar to those for directors of the central board. The general control of the branches was, however, almost wholly in the power of the central directorate through its authority to appoint the local directors and to create by-laws for the branches, the election of president being the one important privilege left to the uncontrolled will of the branch directorates.

It was, of course, essential to the safety of the bank, to the security of its operations, and to the unity of its policy that the control of the central board over the branch officials and directors should be real and effective. The making of a body of rules and regulations for the government of the offices was therefore one of the first tasks of the first board of directors. These rules and regulations were generous in the extent of the power they granted. Certain restrictions, however, were imposed; for instance, notes were to be discounted only at short dates, not longer than sixty days;[1] all notes were to be laid before the board,[2] of which three-fourths must consent to the discount;[3] overdrafts were forbidden;[4] and discounts were not to be made on personal security "without two responsible names."[5]

To secure a larger measure of control the central board retained in its own hands the power of appointing the cashiers of the offices,[6] these being the most important officials and sometimes the only ones thoroughly versed in correct banking methods. Consequently the power to appoint them was the principal means by which effective control over the offices could be exercised. If the board at Philadelphia used discretion in these appointments, it could undoubtedly keep a firm hold upon the branches by selecting cashiers known to it, who had the interests of the cor-

2,000 shares were held, if the state legislature requested it and Congress by law required it.—*Ibid.*, sec. 11, 14th fundamental article, Appendix I.

[1] *Rules and Regulations for the Government of the Offices*, Art. 12. See Appendix X.
[2] *Ibid.*, Art. 14. [3] *Ibid.*, Art. 16. [4] *Ibid.*, Art. 17. [5] *Ibid.*, Art. 15. [6] *Ibid.*, Art. 4.

poration at heart and were competent and conservative bankers.

To increase its hold upon the cashier, the board carefully defined his duties. He was to exercise supervision over all the subordinate officials, "examine the settlement of the cash account of the office; take charge of the cash," attend all board meetings, keep the minutes, report to his board all cases of neglect or incapacity among his subordinates, and hold himself at the disposal of the board for consultation, the furnishing of information, and what other services were "required of him."[1] Moreover, he was the usual channel through which instructions came from the parent office. Consequently he might exercise the utmost influence in determining the character and amount of business transacted. The branch cashiers, in short, were treated as executive officers of the central board, as well as of the branch, and constituted the efficient links in the system of branch banks. The other local officers were appointed by the local board.[2]

To exercise efficient and intelligent control, the central directorate needed not only authority over the branches, but complete information about them. For this purpose "weekly statements of the affairs of each" were "made—monthly returns" were "made—sixty day returns" were "made—quarterly examinations" were "made—and in addition to all these an inspection not anticipated, at uncertain times—and with no notice," was "made by officers immediately deputed from the Bank;"[3] while every quarter a committee of each of the branches investigated its affairs, scrutinizing the debts and reporting upon them. The lists furnished by the branches were detailed enough to show whether they engaged in discounting paper which took the form of perma-

[1] *Rules and Regulations for the Government of the Offices*, Art. 5. See Appendix X.

[2] Biddle, *H. R.* 460, 22d Cong., 1st Sess., p. 315.

[3] Biddle to A. H. Tracey, March 3, 1830, *P. L. B.*, Vol. III, p. 198. See also *H. R.* 460, 22d Cong., 1st Sess., p. 315.

nent loans, or allowed the constant drawing and redrawing of bills.[1] The officers sent out from the parent office to examine the branch accounts were experts, capable of detecting errors or frauds at once. The parent board also prepared and furnished all the notes issued by the branches, and might therefore limit the branch issues and diminish the branch discounts at any time by declining to furnish any further supply of notes. All in all the board at Philadelphia could exercise a very real and a very extensive control over the branches.

Did it exercise such control? Under the administration of William Jones it certainly did not. The extensive establishment of branches under his presidency was in itself an ominous sign of loose management. Eighteen offices were erected in 1817—a number much too large.[2] In some cases, too, the locations were badly selected and in defiance of correct banking principles. Thus the new, thinly settled, and poor western states had as many offices as the whole of rich and populous New England or the middle states. There could be no possible justification for so numerous a supply of branches in these agricultural communities, in most parts of which genuine banking transactions were hardly possible to any extent, where borrowers constantly demanded, not bank credits, but long loans, and where the security offered frequently had to take the form of real estate. Many of the other branches were not skilfully placed. Among these may be named those at Fayetteville, N. C., Portsmouth, N. H., and Middletown, Conn.

The directors in the early years of the bank were at fault, not only in locating offices, but in managing them.

[1] J. Lippincott's testimony, Feb. 4, 1833, *H. R.* 121, 22d Cong., 2d Sess., p. 58.

[2] Secretary Crawford says that twenty offices were established by April, 1818, and mentions one at Augusta, Ga., which would probably be abandoned on account of the lack of ability to supply it with notes.—To Senate Finance Committee, April 7, 1818, *A. of C.*, 15th Cong., 1st Sess., Vol. I, pp. 353, 354.

The plan of government noted above was not thoroughly worked out until the administration of Nicholas Biddle, and under Jones but little efficient control was exercised. The executive officers at Philadelphia were too incompetent and too anxious to make fortunes to require strict obedience from the branches; the officers of the branches were incapable, with little or no knowledge of banking methods; while the business which they were permitted to transact inevitably took the form of semi-permanent loans made to agricultural interests. Finally, Jones's conception of branch management was faulty. He thought that specific capitals ought not to be assigned to offices, because it was the intention of the central board "to extend or control their operations, as the exigencies of commerce, ... and the general interest of the institution" should "from time to time direct."[1] This, Jones thought, was managing the institution as a unit, "integral in its organization, ... indivisible in its interests."[2] But the supposed unity actually meant complete disintegration, since strict and competent supervision was wanting. The result was enormous loss. The story of the looting of the Baltimore office and of the piling up of suspended debt at the southern and western branches is eloquent testimony to the inefficiency and impotency of the Jones administration both at the central office and at the branches.

As soon as Cheves became president he struck at the root of the disorder by recovering the capital and then apportioning fixed capitals to the offices. To accomplish these ends he held the branches in check with an iron grasp. The issue of southern and western branch paper was reduced, and in some instances totally suppressed, while the other transactions of these offices were materially reduced; the Cincin-

[1] Jones to Charleston branch, Feb. 6, 1818, *F.*, Vol. III, p. 335.

[2] Jones to Savannah branch, Dec. 5, 1817, *ibid.*

nati branch was discontinued; the boards were reorganized and many officials dismissed, committees appointed by the central board investigated the affairs of the branches, while a plan was formulated by which the capitals of the branches were kept stationary.[1] When Cheves resigned, the offices were fairly under control, but the business done by them scarcely justified their existence, and the advantages of a uniform currency were almost destroyed by the limitations placed upon the issues. Cheves pointed out the essential defect of the bank's organization as existing in the character of the local directories, and he advised the strict execution of the orders of the parent board,[2] the payment of good salaries to the presidents, the permanent reduction of the bank's active capital,[3] and the diminution of the number of the branches. He was positive that these were the only safe measures to pursue.[4]

It is these early years which furnish evidence that the western branches were political machines, or at least subject to the influence of politicians who acted as directors,[5]

[1] See chap. iv.

[2] "That the President and Directors of the Parent Bank keep steadily in view the absolute necessity of enforcing its own orders through all the various departments of the institution; without which, neither harmony can be expected in its administration, nor security to the interests of its stockholders."—Report of Committee of Stockholders, Oct. 1, 1822, CHEVES, p. 10, and NILES, Vol. XXIII, p. 89.

[3] CHEVES, p. 30.

[4] "I am perfectly satisfied that with the present organization of the Bank it can never be managed well. We have too many branches, and the directors are frequently governed by individual and local interests and feelings. For a time we must bear with the branches, but I hope they will be reduced, and I hope the presidents may be made to devote their whole time to the business, engage in no other business, and receive a very liberal salary, which would make them value their Offices and be afraid of losing them. A different management of several offices would in the business of *each* have saved and gained more than would have paid five thousand dollars per year to each president of the branches. Nay, there is no calculating the actual loss and the loss of gain the Bank has sustained by the want of competent and confidential men at the head of the branches."—Cheves to Crawford, May 27, 1819, *Exposition*, p. 73; and Report of the Committee of Stockholders, Oct. 1, 1822, *ibid.*, p. 11.

[5] "I am disposed to think, that, unless it is placed in the hands of political partisans, as it was once before, that much of the losses sustained there will be recovered."—Tilford to Biddle, Lexington, Jan. 30, 1829, *S. D.* 17, 23d Cong., 2d Sess.,

and made large loans to political friends. This was particularly the case in Kentucky.[1] In this matter it was Cheves's wish and endeavor to withdraw the branches from such influences, though apparently he did not entirely succeed.

Cheves's recommendations to diminish the number of the offices and to retain the bank's stock forfeited to it in consequence of the frauds at Baltimore and other offices, in order to decrease the size of the capital, proved that he despaired of establishing any efficient control over the branches, since, relatively to the capital of the bank, no one could have argued that they were too numerous. All the evils incident to their management under Jones were not corrected, and probably could not be in the time Cheves had at his disposal. The affairs of the western branches were infinitely confused by the enormous amounts of real estate thrown upon them in discharge of bad debts, and by the attempt to collect from hundreds who refused to pay even in real estate. Continuous litigation was carried on; the branches did little or no business, and the conflict with the states absorbed much time and energy. The president and cashier at Savannah allowed overdrafts and engaged in other reprehensible practices without the knowledge of the local board.[2] The entire business of the Georgia office had finally to be suspended until the difficulties with the state and the state

p. 306. "His name and character were well known to the bank in former times, having served several years as a director previous to 1822. So devoted to politics, that all his views as a director, ... were directed to the policy of the Government as connected with the bank, and not to the interests of the stockholders. Always ambitious of being a leader of a party, he produced factions in the board, and measures were advocated and opposed from party feeling alone. . . . . Many of the difficulties and losses of this office may be attribnted to him."—Shippen, regarding Warden Pope, to Biddle, Jan. 24, 1829, *ibid.*, p. 301.

[1] "In your section of the country we have surely had a melancholy experience of the hazard of lending to politicians."—Biddle to J. Harper, Jan. 9, 1829, *S. D.* 17, 23d Cong., 2d Sess., p. 298.

"That the offices in Kentucky had suffered deeply from the influence of politicians; that we had for some time been endeavoring to withdraw the bank out of the reach of that influence; that we had, at length, succeeded in giving a business character to its transactions."—Biddle to Shippen, Feb. 12, 1829, *ibid.*, p. 304.

[2] S. Nicholas to Biddle, Savannah, Feb. 26, 1821, *B. P.*

banks were accommodated,[1] which did not occur until the decision of the Supreme Court in the case of the Bank of the United States *vs.* the Planters' Bank of Georgia and the consequent repeal in 1824 of the Georgia law hostile to the bank.[2] Politics still influenced the choice of directors, cashiers were not selected judiciously, and frauds frequently resulted as a consequence.[3] The offices were still unmanageable to a considerable extent, while "a sufficient knowledge of the accounts between" them was still wanting.[4]

When Nicholas Biddle became president of the bank, the safe business methods inaugurated by Cheves were continued, but a more effective means of control and an expansion of business were also desired. In brief, Biddle's measures consisted in extending the transactions of the large eastern offices; prohibiting the issue of state-bank notes; forbidding loans on long-term paper and mortgages, renewals, and the making of loans by small committees; while dealings in exchange were extended at all the offices, and the bank's notes were freely circulated and redeemed everywhere. It was not until 1827, however, that Biddle put the finishing touches to his schemes for expansion, by the invention of branch drafts and a larger participation in inland exchange. This was Biddle's final plan for safe and extensive dealings, which kept the capital of the

[1] "I believe its not doing any business. Not a single deposit is made in it nor do they discount a dollar but in renewal of paper as no one offers any paper there from the entire inability to make payments into it." The branch had done nothing for a year.—S. Nicholas to Biddle, Savannah, Jan. 14, 1822, *ibid.*

[2] "The repeal and the decision of the court having opened the way to the re-establishment of the office and the investment of a portion of the capital of the Bank in Georgia. . . . ."—Biddle to John Cumming, president of the Savannah branch, Jan. 12, 1825, *P. L. B.*, Vol. I, pp. 196, 197.

[3] The cashier at New Orleans defrauded the bank in 1825. He was an old appointee. The cashier at Middletown, Conn., plundered the branch there in 1820. The cashier at Richmond was also delinquent. The president of the Portsmouth branch appropriated the pension funds in 1824. The bookkeeper at Charleston was guilty of peculation in the same year.

[4] Biddle to John McKim, of Baltimore, March 14, 1826, *P. L. B.*, Vol. II, p. 140.

bank localized, and it was one which he always regarded with pride and satisfaction.

His plan of stricter control consisted in securing the appointment of the presidents of the branches by designating to the local boards the men whom the central directory wished elected to that office, Biddle declaring that unless the boards did appoint as directed, the central board would find a remedy by leaving off the local directorates presidents chosen in opposition to its will;[1] directors of the parent board living outside of Philadelphia were authorized to sit at the board of the branches which might be located in their cities; official advisers were chosen at the different offices; the cashiers of the branches were carefully selected from the employees trained at Philadelphia, made responsible to the central board, and required to furnish information to that board and to the other branches; large borrowers were excluded from the directorates; and, finally, assistant cashiers were appointed at Philadelphia, whose duties were exclusively confined to the management of the bank's suspended debt and real estate and to the business of the offices.[2] The results were gratifying. There is no instance known of peculation by cashiers appointed during Biddle's presidency; the control of the offices was fairly efficient, and their business was confined to safer channels, even while it was largely expanded.

Biddle's success led to the establishment of a number of new branches during his presidency. From 1817 to 1826 there had not been a single new branch created, while that at Chillicothe had been discontinued. From 1826 to 1831 eight new branches were established: two in the Southwest,[3] two in the West,[4] two in New England,[5] and two in the middle states.[6] These localities were carefully selected. The

[1] Biddle to S. Wharton, of Providence, Sep. 19, 1826, *P. L. B.*, Vol. I, pp. 183-6.

[2] See chap. v, "Nicholas Biddle and His Policy, 1823-28."

[3] Mobile, 1826; Natchez, 1831.

[4] Nashville, 1827; St. Louis, 1829.

[5] Portland, Me., 1828; Burlington, Vt., 1830.

[6] Buffalo, 1829; Utica, 1830.

southwestern offices secured the business beginning in the new cotton-growing country, and were established for that purpose, while in the West the phenomenal growth of wealth and population justified the additional offices. Criticisms may be directed against their establishment because the loans in these sections would necessarily be made to persons engaged in agriculture and consequently apt to become semi-permanent. In both instances the wishes of the treasury were considered, the secretary having urged the opening of offices at Mobile and at St. Louis.[1] In the cases of Buffalo and Utica the increased trade due to the navigation of the Great Lakes and the opening of the Erie Canal was sufficient warrant for the selection; the trade with Canada justified the choice of Burlington; while the office at Portland was opened at the solicitation of the treasury.[2] Before establishing these various branches, the central board sent special agents to make careful examination of the sites in relation to their convenience to the government and the amount of trade which centered about them.[3]

Notwithstanding the improved methods introduced, there were still occasions when the control of the central board was not effective. Necessarily much power had to be given to the executive officers of the branches. For instance, the president and cashier of an office were given complete authority in the purchase of foreign bills, and a veto upon the purchase of inland exchange.[4] Indeed, in the early years of Biddle's administration the branch directorates were given entire control of all questions relating to exchange. Either this discretion had to be confided to them, or a certain amount of capital for investment in bills put at their disposal, or the

[1] *S. D.* 17, 23d Cong., 2d Sess., p. 225. [2] *Ibid.*

[3] For examples of the thoroughness of snch examinations see *ibid.*, additional documents.

[4] "You and the President have confided to you the exclusive purchase of foreign bills,—and an absolute negative on domestic bills."—Biddle to Cashier West, of New Orleans, May 17, 1823, *P. L. B.*, Vol. I, p. 28.

central board must give minute instructions in regard to purchases. It was found inexpedient to give a general credit on which to trade,[1] while the central board could not give the necessary instructions with regard to purchases without a much more intimate acquaintance with the state of business in the neighborhood of the offices than could be possessed by it. Later the plan was adopted of instructing the offices as to the rates to be charged and the nature of the bills to be taken, and an officer of the central board was appointed to supervise exchange dealings. Even so late as 1829, however, the claim of a branch to fix its rate of exchange was admitted, and the Savannah office insisted, in flat opposition to the wishes of the parent board, upon the management of its inland exchange business.[2]

Similarly, in the making of discounts a large discretion had to be granted. The bank fixed the capital of each branch, but, having done that, could not dictate the precise loans which should be made by it. It prohibited long loans and those on real-estate security, but within these limitations the offices were supposed to control their own loans.

1 "The question of general credits by the Bank to the Southern offices has often been discussed, and after some experience it was found best not to continue them. The general theory on that subject is to leave the office as far as possible perfectly free, to give it the command of the Bill market, and let it judge of the time and manner and rate of purchasing its bills. Where credits were given, the office was more or less obliged to buy the bills, and even where the office did not, the knowledge of the fact that the credit was lodged with the office enabled the party to dispose of his bills out of doors at a higher rate than the office would be willing to have given—thus using the credit of the Bank to its own disadvantage."—Biddle to R. Gilmor, Baltimore, Dec. 19, 1825, *P. L. B.*, Vol. II, p. 82.

2 The branch, despite instructions from Philadelphia, had resolved to take checks on the North at par, in liquidation of state-bank balances.—G. B. Cummings to Biddle, Savannah, Dec. 24, 1828, *B. P.*

"The fact is, that I was surprised at the course of the Board, and have been so unwilling to trust myself with any observations on it, that this is the very first time, I have ever attended [alluded?] to it, except to the members of the Parent Board. The change which it made in the policy of the office with regard to exchange, was obvious—the surrender of the whole question, which it involved was painful—yet, recognizing as we do, the right of the Board, to fix its rates of exchange, it was thought better not to interpose for the present, but to watch the progress of the system which the Board adopted."—Biddle to George B. Cummings, of Savannah, Feb. 6, 1829, *P. L. B.*, Vol. III, pp. 3, 4.

This was unavoidable, and indeed there could be little excuse for separate branch directorates on any other basis,[1] and though the central board appointed all the branch directors, it could not know them all, nor even any considerable number of them.[2] Indeed, though Biddle took advice about the qualifications of candidates, whenever he could get it, the board had finally to depend mostly upon the opinion of the executive officers of the branches.[3]

It was consequently of vast importance that the executive officers should be honest and capable. While these qualities were usually assured in branch cashiers by the methods already explained, there was always a doubt in the case of branch presidents, who could not in all cases be well known to the managers at Philadelphia. Moreover, though the presidents were salaried, the sum paid was in most cases too meager to secure first-class talent. Consequently extreme losses might and did occur, as a result of the inefficiency or dishonesty of these officers. Thus the president of the Portsmouth branch secured complete control there, used his power to defraud the government of $20,000, and remained undisturbed until his death in 1824 revealed the

1 "I do not think it judicious nor safe for the Board here to say to a Distant Board 'Proceed to Discount as liberally as if the failure of Mr. A. and Mr. B. had not occurred.' It is our business to direct the general state of the operations of an Office, but as we cannot estimate the effect which failures may have over the persons connected with the office it would be hazardous to give directions. The discretion must be left to the local Directors."—Biddle to P. P. F. Degrand, of Boston, June 22, 1826, *ibid.*, Vol. II, p. 171.

2 Biddle, in writing to James Lloyd of the candidates for the presidency at Washington, says: "Of all these gentlemen, there is no one with whom I have the slightest acquaintance."—Dec. 21, 1823, *ibid.*, Vol. I, p. 85.

3 "In the Branches we naturally look to the confidential officers of the Bank (the Cashier who is appointed by the Parent Board, and the President of the Branch) to nominate suitable persons to fill the vacancies as they occur by rotation—and if, after inquiry from other independent sources, we see no reason to distrust their judgment, we generally lean to their nomination. This is the safest general practice, because if we at a distance place in the Direction gentlemen without knowing their precise pecuniary situation, we may introduce individuals who have already borrowed too much, who wish to borrow too much, or who have needy friends whose claims they may urge successfully while sitting at the Board, when they might otherwise be resisted."—Biddle to John McLean, Jan. 11, 1829, *B. P.*

peculation.[1] His successor was inefficient, and granted unjustifiable loans which resulted in a loss of $112,000.[2] At Hartford, in 1826, the branch management, by neglecting judicious advice from the president of the bank, incurred a loss sufficient to sweep away all the profits for the first six months of that year.[3] In 1827 the cashier at Pittsburg flatly disobeyed orders, not only by neglecting to carry out his instructions from Philadelphia, but by concealing from the branch directors the instructions themselves, and by failing to notify the central board of his delinquency until months afterward.[4] In 1834 the branch at Louisville refused to obey the orders for reduction.[5] In 1832 the board at Lexington, in spite of strict instructions to refuse all discounts, loaned $5,000 "to secure the Hon. Henry Clay" and the university at that place, though the dereliction was immediately reported by the cashier.[6] An investigation of the Portland office in the same year revealed a surprising state of affairs at that branch. As early as 1829 the president there was reported as in control of the office and as having jeopardized its discounts, while two directors appointed on his recommendation had failed.[7] He was

[1] "After the death of Mr. Cutts, President of the Office at Portsmouth, Mr. James Shapley" was elected and the delinquency at once discovered.

A clerk named Parker in 1822 "forwarded to the Board here, charges against Mr. Cutts, accusing him of applying to his own use, the monies held by him as Loan Officer; but these charges were deemed malicious or frivolous, and disregarded."

"Mr. Cutts had chosen the directors of the branch, for the most part [*i. e.*, they were chosen on his recommendation] who have never been much known."—Biddle to James Lloyd, Boston, Oct. 4, 1824, *P. L. B.*, Vol. I, p. 174; see also Biddle to Ingham, July 18, 1829, *H. R.* 460, 22d Cong., 1st Sess., p. 442.

[2] *Ibid.* [3] Biddle to President Parsons, June 17, 1826, *P. L. B.*, Vol. II, pp. 169, 170.

[4] Cashier Corey, of Pittsburg, to Cashier McIlvaine, Jan. 15, 1827, in respect to a resolution of Sept. 26, 1826, *B. P.*; McIlvaine to Biddle, Jan. 21, 1827, *ibid.*

[5] "The determination of the directors of the Branch Bank of this city to disobey the recent order of the parent bank, has been very generally approved, even the friends of the bank approve it, because they can perceive no necessity for a measure so harsh and oppressive."—Louisville *Public Advertiser*, *C. D.*, Vol. X, Part III, p. 3157.

[6] J. Towler to Biddle, private, Aug. 21, 1832, *B. P.*

[7] Biddle to Cowperthwaite, March 13, 1829, *P. L. B.*, Vol. III, pp. 23-5.

"utterly unfit for his place; . . . . ignorant, inefficient, coarse in manners, and in all respects an incumbrance to the office. . . . . The board, called at 11 o'clock, seldom met till one — and then seldom or never organized — official letters, when received, rarely communicated, or perhaps thrown carelessly on the table, to be read by such as chose to read them — no minutes kept — and official papers the most important irregularly scattered — some in the office and some at his private dwelling."[1]

This case shows neglect in the officials at headquarters, since Biddle was informed of the president's incapacity three years before the investigation took place. The other cases, however, might have been amenable to no oversight. The essential difficulty lay in the characters of the branch directorates and the branch officers, who were not expert bankers. Usually, too, the central board took immediate cognizance of complaints. Thus when charges were made against the cashier at Washington in 1824, the Philadelphia board at once suspended him, and a thorough investigation was made both by the Washington directors and by those at Philadelphia.[2] The president of this office, who had been forced upon the bank by the branch directors, was also removed in 1827 for inefficiency and failure to give proper attention to the affairs of the office.[3] Further complaints about the cashier, however, were not noticed.[4] Charges made in respect to the Norfolk office were taken up

[1] Cadwalader to Biddle, Philadelphia, May 24, 1832, *B. P.*, quoting Cowperthwaite's report on the office.

[2] SMITH'S *Defense*, pp. 23, 24, Appendix VII, and pp. 29, 30. The Washington board cleared Smith by a vote of 5 to 1, the Philadelphia board unanimously.

[3] Biddle to President Thomas Swann, of Washington, Dec. 10, 1827, *P. L. B.*, Vol. II, p. 322.

[4] Edward Jones, writing to Biddle from Washington, Oct. 31, 1827, declines to sit on board longer because it is too subservient to the cashier. The cashier has shielded culprits who have been committing robbery on the bank for three years past; to the cashier's "unpardonable negligence the robbery is chiefly to be attributed."

Jones also complained June 21, 1826, of business done. The branch would lose $500,000 now under protest.—*B. P.*

as soon as made and thoroughly investigated by the central board.[1]

Much more serious than these minor acts of disobedience, inefficiency, and dishonesty was the failure to control the western and southern offices after the introduction of Biddle's plan of exchange operations to support the circulation of branch notes. As the dealings in exchange were almost wholly in the hands of the branch executives, the opportunities for evading the strict regulations of the bank were much increased under these new circumstances, and it was inevitable that with directorates composed of men ignorant of sound banking these opportunities would not be neglected. Furthermore, the enormous expansion of the bank's business after 1829 made proportionally difficult the task of investigation, supervision, and control, while the distance of the branches from the central offices, added to the wretched means of communication, infinitely aggravated the difficulty. Finally, as these considerations pressed, the distant offices were occasionally permitted to suspend the rules which had governed their operations in the past,[2] and thus a further opportunity was afforded for the transaction of reprehensible business.

The history of the bank in its later years proves conclusively that the branches south and west loaned large sums on accommodation paper, and frequently renewed the loans; that they employed much too large a proportion of the bank's

[1] Biddle to H. Binney, Jan. 29, 1832, *P. L. B.*, Vol. IV, p. 137, and *H. R.* 460, 22d Cong., 1st Sess., p. 547.

[2] "The 12th article of the bye-laws for the government of the offices, restricting their discounts to notes having not more than sixty days to run, was passed on the 3d of January, 1817, ... It has not yet been formally repealed; but, being found impracticable, and not calculated for the business of the country, or the convenience of the bank, all the branches I believe, without exception, have, from time to time, been, by special resolutions and instructions, exempted from its operation. It is, therefore, in fact repealed, though not in form."

Articles 4 and 6 for exchange operations "are in force, except so far as they may have undergone modifications, by instructions to particular offices, growing out of the exchange operations adapted to their respective localities."—Biddle to the committee of 1832, *H. R.* 460, 22d Cong., 1st Sess., p. 542.

means, and could not be controlled when attempts were made to check them.

The Cincinnati office furnishes excellent evidence to substantiate these assertions. When the policy of expansion became effective in 1827, permission was accorded this office to grant discounts to former debtors who had not cleared themselves with the bank.[1] Early in 1832 Biddle was notified that some of the old debtors were exercising an undue influence over the officers, securing loans to which they were not entitled, and speculating in the bank's real estate.[2] No notice, apparently, was taken of these warnings,[3] but later in the year the Cincinnati counsel of the bank assured Biddle that too many large loans were made, that the directors had decided to call in 10 per cent. of the loans every ninety days,[4] that the "crisis is full of difficulty," and that the branch was taking mortgages to secure doubtful paper on its renewal.[5] Evidently constant renewal was the rule at Cincinnati, and the calling in of 10 per cent. every ninety days was considered a drastic measure.

At Nashville similar conditions prevailed. The "race-horse bills" invented during the administration of William Jones were again extensively employed, and the complaint of the president of the branch shows that the cashier, a local

1 Biddle to Cashier Benson, May 19, 1827, *P. L. B.*, Vol. II, pp. 263-5.

2 "The best of my information and judgement is, that for several years past, an influence has gradually gained the ascendency in the Branch composed of the old managers of 1817-1820, and that Messrs. Cope and Benson have with great ingenuity been involved in their toils. That the Branch has been managed to a great extent in favor of other interests, than those of the community at large,—or the Bank itself,—that for some months past almost all the business paper has been rejected—and whatever loans have been made, have been applied in relief of speculators in property, and of some few persons whose zeal to engross, has carried them beyond their depth."—Henry Avery to Biddle, March 24, 1832, confidential, *B. P.* Same to same, Feb. 1, 1832, confidential, *ibid.*

3 Same to same, May 5, 1832, *ibid.*

4 Bellamy Storer to Biddle, Cincinnati, May 22, 1832, *ibid.*

5 "In all cases where the debt is the least doubtful, I recommend, as their legal adviser, that we ask a mortgage, on condition of renewing the paper. This request is always granted, and by this means I have saved thousands to the institution."—Same to same, Dec. 7, 1832, *ibid.*

appointee, and probably the only cashier of that character in the bank's western offices, had secured control and managed matters to suit himself. The aggrieved president wrote to Biddle:

I have often hinted to you, in my former letters that Our Cashier—Was entirely too fond of Bills of exchange—and often on the refusal of bills by, me that he wished to take; I have gotten the ill-will of my neighbors, as he never of late years was known to refuse a bill—of exchange let it be as it would— . . . . This season he does Vote against *some*—but not with his Consent it would ease me of a good deal of responsibility if you would drop a hint to him on this subject . . . . he is—one of the Best officers belonging to the Establishment—but he would run too great risques to make Money—please keep this to yourself.[1]

Here is revealed the essential defect of western management: an ignorant cashier[2] bent on making money at all odds, and willing to take any kind of paper, and a president who does not wish the "ill-will of his neighbors." Instructions were given to stop the bill business, only to elicit the response that such action was impossible. The cashier at Nashville was the one instance of the appointment of a cashier from the vicinage of an office after the beginning of Biddle's administration. The appointment had been made, Biddle said, largely on the recommendation of the officer by Andrew Jackson in 1818. It was the irony of fate that precisely there

[1] J. Nichol to Biddle, Nashville, Nov. 22, 1832, *B. P.*

[2] The following extract from one of Sommerville's letters will indicate his qualifications: "The course pursued by the board, in its general diffusion of disconnts, has always commanded my approbation, as thereby it extends its immense benefits to the doors of every section of the country, and thus affording the strongest practical proofs of the incalculable importance of the operations of the Bank of the United States through its unrivalled machinery in the improvement of the wealth, happiness, and general welfare of the country, in every particular; passing through every grade of society, from the wealthiest, in regular gradation, to the poorest man in the country; and in this none are so much or more benefitted than the poorest and middling classes of our country, and, above all, the agriculturists of every rank and denomination; combining, at the same time, with such important results, that of the greater security for the debts of the institution in the way before described; and I feel fully persuaded that, if the parent board had set here, they would, under all circumstances, have operated precisely in the same way that the board has."—Nov. 26, 1832, *H. R.* 121, 22d Cong., 2d Sess., p. 158.

the most reckless and reprehensible banking should have been done.

Cashier Jaudon of the New Orleans office, an intimate friend of the bank's president, an old and trusted employee of the central office, later to be its cashier, appears to have been responsible for much of the unsafe bill business in the West. In April, 1832, Biddle wrote him saying that he had "rarely been so much surprized and startled" as by the appearance of the accounts of the New Orleans extension in inland bills of exchange, and instructed him to give up the purchase of widely scattered bills and direct his attention to foreign exchange.[1] In answer Jaudon returned a long defense, declaring that the office could liquidate bills of exchange drawn upon it by the western branches only by drawing more bills upon them; in other words, by creating "race-horse bills." Protests from the bank did not cease, Cashier McIlvaine writing Biddle that a large part of the exchange purchases made at New Orleans "must come up by the roots."[2] But they were so deeply planted that getting them up was not an easy matter. It is significant, in regard to the business done later by the bank, that Jaudon became cashier at Philadelphia in July, 1832.

Other offices showed equal inability to answer the demands of the bank. In 1834 Charleston could not dimin-

[1] "I have rarely been so much surprized and startled as at the appearance of your two last weekly statements representing such an extension of discounts of domestic bills widely scattered and of circulation which in the present state of the country presses upon us immediately. My surprize has been increased by the circumstance that you seemed in your correspondence with Mr. McIlvaine to have understood completely, as you always do, our whole plan of operations, and were preparing to act in concert with us, but these increases of every branch of your business are entirely at variance with that plan." Instructs him to reduce at once, to give up scattered domestic exchange, and to buy foreign exchange.—Biddle to Jaudon, April 20, 1832, *P. L. B.*, Vol. IV, p. 256.

[2] "The aggregate loans [of the New Orleans office] appears almost exactly at the same point at which they stood on the 30th day of April, but more than two-thirds of the domestic bills purchased are at 60 days upon the Northern Cities—and a large portion of them must 'come up by the roots.'"—To Biddle at Washington, June 1, 1832, *B.P.*

ish its accommodations,[1] while the Louisville office made a return showing that it had on hand a large amount of what was called "stationary debts," only $648,000 out of a total of $2,348,000 being payable at maturity.[2] The correspondence of other western offices reveals the same conditions.

In the East the bank was also lax in the assertion of its authority. At the New York office in 1828 Robert Lenox complained that too much money was loaned;[3] in 1832 he asserted that, in spite of instructions to contract, the board expanded its discounts, and in addition made loans to itself and to brokers.[4] In 1834 he declared that the cashier would not do his duty; that discounts were made after the board separated; that loans were charged to the account of bills receivable; that overdrafts were permitted; that the committee on domestic exchange was an evil; that its members made loans to themselves; and that the president and his family had large sums from the bank, half of it being charged to bills receivable.[5] In 1828 the Portsmouth branch proved that it had been badly managed by suffering $148,000 out of $460,000 of notes discounted to go to protest. Out of this sum $112,000 was likely to be lost.[6] Renewals were

[1] *S. D.* 17, 23d Cong., 2d Sess., p. 78.

[2] *Ibid.*, p. 110.

[3] Lenox to Biddle, March 5, 1828, *B. P.*

[4] Same to same, Feb. 29, 1832, *ibid.*

[5] The cashier is going to be in Philadelphia, and Biddle must "*convince* the cashier that he is bound to do his duty. It will occupy more of your time than I chose to claim; to state all that requires amendment. Suffice for the moment that discounts should not be made after the board seperate. None should be made and charged to 'Bills receivable'—People should not be allowed to overdraw their account by lodging a note under the promise if not discounted—they will make good the overdrawing—It need not be stated what the result is—In short it is no more like the Bank *it was* and what it is now intended to be, than any other extremes."

He and Mr. Rathbone "remind the board that they are acting contrary to orders, but they care for none of these things." Some directors help themselves. "Our Committee on Domestic Exchange is a great Evil—much is done that was never intended, and in fact it is a species of Executive Patronage very much abused, and seldom a day when I do not point out the instances."—R. Lenox to Biddle, Feb. 15, 1834, *ibid.*

[6] Biddle to Ingham, July 18, 1829.—*H. R.* 460, 22d Cong., 1st Sess., p. 442.

common here, the rule being the collection of 10 per cent. every one hundred and twenty days.[1]

The real peril, however, was with the western branches, and arose from the opportunities granted them in dealings in inland exchange, as Biddle tacitly admitted in 1834, when he gave utterance to his dread of renewing the bill business of the West.[2] He knew well that bills were constantly renewed, and that too many were bought. The directors, however, denied all knowledge of such operations, and were certain that the paper discounted was sound.[3] Such ignorance was so far from being an excuse that it condemned them as inefficient and negligent agents of an honorable trust. Even the executive officers do not seem to have been thoroughly informed until 1832.[4] In October, 1833, Jaudon's letters to the cashier at New York prove that he did not even understand the custom of that office in respect to the receiving of branch notes.[5]

On the whole, however, loose methods, wilful disobedience, dishonesty, and reprehensible transactions were by no means so common even in the later years of Biddle's administration as they had been in the early years of the bank. The capital was kept localized, though too much of it was employed in the West and Southwest,[6] and though the business led to losses, they were not excessive. The total losses

[1] *Extra Globe*, Vol. I, p. 256.

[2] "Unfortunately these bills are mainly in the crop exchange of the western cities, and I feel a little afraid of reviving them."—Biddle to Jaudon, Newport, July 16, 1834, *ibid.*

[3] *H. R.* 121, 22d Cong., 2d Sess., pp. 58, 77, 89.

[4] "I should be glad to receive from you an explanation of the business upon which bills drawn upon St. Louis, Natchez, Nashville, Lexington, Cincinnati, Pittsburgh, and Wheeling are founded, and how far the purchase of such bills could be restricted without producing injurious consequences."—Jaudon to the cashier at Pittsburg, Nov. 10, 1832, *ibid.*, p. 143.

[5] Jaudon to cashier at New York, Oct. 5, 1833, *S. D.* 17, 23d Cong., 2d Sess., pp. 122, 123.

[6]

New England	$ 2,900,000	South - - - -	$2,500,000
Middle states - -	21,650,000	West and Southwest -	5,950,000

The capital at Philadelphia ($16,450,000) must have been largely nominal.

before August, 1822, were $3,005,000, while in 1836 they were $4,600,000, so that not more than one-third of the whole had been lost in Biddle's presidency, which covered two-thirds of the term of the bank's existence. In the long run the losses were beyond the figures given, because part of the suspended debt was never paid. The calculation in 1836 was that this would furnish an additional loss of $1,389,000, but the greater part of this would also be due to the operations of the first few years. That the so-called "active debt"—the discounts on personal security—was good, is proved by the fact that the bank sold the "active debt" of eighteen branches at par for $15,716,726.[1] Of this sum $8,990,000 were paid for the "active debt" of seven out of eight western and southwestern offices, while for that at the Charleston office $2,073,745 were paid.[2] These figures do not indicate anything resembling insolvency, or even unusual losses on the investments.[3]

(cash or securities)

[1] *Ex. Doc.* 118, 24th Cong., 2d Sess., p. 109.

[2] *Ibid.* Henry Carey calculated that from 1820 to 1836, inclusive, the loss on the whole capital loaned on personal security was not over one-fifth of 1 per cent. per annum.—*Credit System in the United States, etc.*, p. 29. The considerable losses took place in the South and West.

BUSINESS LOSSES 1822–36 (round numbers)

Norfolk	$ 38,000	New Orleans	$ 12,000
Fayetteville	91,000	Nashville	2,000
Charleston	105,000	Lexington	257,000
Savannah	81,000		

For statistics see *H. R.* 460, 22d Cong., 1st Sess., p. 244, and *Ex. Doc.* 118, 24th Cong., 2d Sess., pp. 58, 59.

Between March, 1836, when this statement was made, and July of the same year, at one office, probably Natchez, $405,280 of the active debt went to protest, or 10 per cent. of the whole debt.—*Ibid.*, p. 43. A considerable part of this would be lost. The same state of affairs must have existed at some of the other offices. The same conclusion holds as to the suspended debt. That of the office at Cincinnati netted a loss of $140,846 (*ibid.*, p. 58); at Pittsburg of $38,050.—*Ibid.*, p. 59.

[3] Moreover, all losses were amply covered by a contingent fund which had been established by President Cheves. Biddle's administration increased this fund enormously, so that in 1836 it amounted to $5,943,000, more than sufficient to cover losses charged to all the heads under which losses might come on the books of the bank. Besides this there was a fund of surplus profits of over $3,700,000.—*Ibid.*, p. 83. There was also a similar fund of $1,104,223, to cover losses on banking houses. —*Ibid.* This would, of course, more than cover any such losses. The fund was, indeed, a part of the surplus which was put under this head in 1831, with the purpose

Nevertheless it would be a mistake to argue that because the loans were actually safe, therefore they were made in accordance with the principles of sound and conservative banking. This is not true, and if the bank had been forced to pass through a commercial crisis, such as that of 1819 or that of 1837, no one conversant with its situation can doubt that the losses would have been well-nigh ruinous.

The office at New Orleans was the most important, because that city was the emporium for all the trade of the West and Southwest. Vast accumulations of funds from other branches and from the state banks inevitably took place there, as the result of shipments of produce from western Pennsylvania, Ohio, Missouri, Kentucky, Tennessee, and Mississippi.[1] New Orleans was consequently the center of exchange dealings for the entire western and southwestern country, while its loans on personal security were always extensive. As it was the most distant office, it was almost independent of control, and unusual care was employed in selecting its officers and its board.[2] Next in importance stood New York. Both of these offices at times transacted a larger business than that of the bank at Philadelphia, and from the beginning of 1831 to the end of 1834 this was the rule at New Orleans.[3] The third branch in importance was

of concealing the size of the surplus from Congress. "I shall propose this because I do not wish to increase the surplus fund of $1,750,000—nor the contingent fund of $2,100,000, which if too ostensible might increase the cupidity of those with whom we may hereafter have to deal."—Biddle to Cadwalader, Dec. 30, 1831, *B. P.*

1 The profits were commensurate, being in 1829 34½ per cent. on the capital employed.—Biddle to C. J. Ingersoll, March 30, 1830, *P. L. B.*, Vol. III, pp. 209, 210.

2 "We regard the office at New Orleans from its distance from the parent Bank, from its intrinsic importance, and from its being the key of the Western offices, as the first on the whole establishment, decidedly superior to any other office, and demanding indeed for the Cashier the qualities of perfect confidence in his fidelity even in a higher degree than would be required in any situation in the Bank."—Biddle to R. Gilmor, of Baltimore, Jan. 4, 1826, *ibid.*, Vol. II, p. 90.

3 TOTALS—DISCOUNTS AND EXCHANGE

1827	Jan. 30	July 30	1831	Jan. 30	July 30
Philadelphia	$3,517,000	$3,568,000	Philadelphia	$5,678,000	$8,789,000
New York	3,432,000	4,367,000	New York	3,273,000	4,370,000
New Orleans	2,822,000	3,011,000	New Orleans	7,500,000	10,282,000

that at Charleston, which was the center of exchange operations for the South, though in the later years the offices at Nashville and Louisville sometimes carried on more extended operations than did that at Charleston. The centers of the bank's operations would, therefore, be: Philadelphia and New York for the East, Charleston for the South, New Orleans for the Southwest, and Nashville and Louisville for the West.

In all twenty-six branches were established, though not more than twenty-five existed at any one time. The first eighteen were located in the first year of the bank's existence, the other eight under President Biddle. The Cincinnati branch was discontinued in 1820 and re-established in 1825,[1] the Chillicothe branch being discontinued in the latter year; while the Middletown office in Connecticut was transferred to Hartford in the same state in 1824.[2] Benton and others boldly asserted that the Biddle administration selected the locations of the new offices from political considerations, but there is not a grain of evidence to support these charges. Had such motives swayed the directors, they would certainly have established many more offices, for they had most tempting inducements in the applications made by the secretary of the treasury, the governors of territories, state

1828	Jan. 30	July 30	1832	Jan. 30	July 30
Philadelphia	$4,560,000	$4,396,000	Philadelphia	$10,878,000	$7,963,000
New York	5,142,000	4,535,000	New York	6,065,000	5,597,000
New Orleans	2,935,000	4,071,000	New Orleans	8,811,000	12,911,000
1829			1833		
Philadelphia	4,446,000	4,234,000	Philadelphia	7,200,000	7,903,000
New York	4,196,000	4,521,000	New York	5,710,000	5,857,000
New Orleans	3,864,000	6,299,000	New Orleans	7,599,000	10,020,000
1830			1834		
Philadelphia	4,670,000	3,942,000	Philadelphia	7,586,000	7,090,000
New York	4,092,877	3,877,000	New York	6,348,000	5,857,000
New Orleans	5,718,000	8,754,000	New Orleans	7,866,000	5,723,000

Compiled from the monthly reports of the bank.

[1] NILES, Vol. XXVIII, p. 176.

[2] On the ground that more business was to be secured at Hartford.—Biddle to Enoch Parsons, April 7, 1824, *P. L. B.*, Vol. I, pp. 143, 144.

legislatures, statesmen, congressmen, politicians, state officials, and prominent business men. One may say without hesitation that if political motives had controlled, the bank would have established an office at Albany in response to the petition of Martin Van Buren and the members of the Albany regency in 1826,[1] for certainly the establishment at that place, and under such circumstances, would have saved the bank from bitter attacks. In all sixty-three applications for new branches were refused.[2]

The selection of the offices was in fact made with the purpose of combining business interests and the interests of the government. Of offices located rather for government than business purposes three may be designated,[3] while of those more directly beneficial to the bank than to the government there were not more than six.[4] Twelve out of the total of twenty-six offices were established virtually on the seaboard, beginning at Portland, Me., and running to New Orleans.[5] In addition five offices were located so as to be easily accessible to the coast;[6] one was placed on Lake Erie;[7] one on the Erie Canal;[8] one on Lake Champlain;[9] one at the source of the Ohio;[10] two on the Ohio;[11] three on the Mississippi;[12] and two on tributaries of the Ohio.[13] Roughly speaking, the offices may be divided into nineteen connected with the Atlantic seaboard and seven on the Mississippi and its tributaries, with New Orleans as connecting link between the two systems.

1 *S. D.* 17, 23d Cong., 2d Sess., pp. 251–3.

2 *Ibid.*

3 Portland, Me., Norfolk, Va., and St. Louis.

4 Buffalo, Utica, Burlington, Lexington, Natchez, Cincinnati.

5 Portland, Me., Portsmouth, N. H., Boston, Providence, New York, Philadelphia, Baltimore, Norfolk, Charleston, Savannah, Mobile, New Orleans.

6 Hartford, Washington, Richmond, Fayetteville, Natchez.

7 Buffalo.

8 Utica.

9 Burlington, Vt.

10 Pittsburg.

11 Cincinnati and Louisville.

12 St. Louis, Natchez, and New Orleans. The last is counted also among the seaboard cities.

13 Nashville and Lexington.

In addition to the regular offices, there were several agencies of various kinds. Two were located at Chillicothe and Cincinnati, whose whole business was to secure the debts incurred during the early years of the bank and superintend sales of real estate. Agents appointed by the central board managed these agencies, and Biddle directed much time and attention to them, evolving a plan of operations for the liquidation of the debts. In 1823 the suspended debt at Cincinnati was $2,528,350. When any part of this was secured by mortgage, and interest was regularly paid, the debtor was not disturbed; where the security was insufficient, the mortgage was foreclosed and the property sold, usually to be purchased by the bank, which then improved it in whatever way possible. The final operation was the sale of the improved property in small parcels at a profit.[1] The branch at Cincinnati was re-established as an aid to carrying out this policy. As a result of efficient management of these affairs, the sale of real estate in the West in the end not only secured returns sufficient to cover all the losses of the early years, but yielded an excess.[2]

The agencies at Cincinnati and Chillicothe were closed in 1836. Another agency, consisting of a single individual appointed by the Savannah board, was established at Macon, Ga., in 1830, to purchase inland bills of exchange.[3] It was closed in 1834.[4]

The particular advantages of the branch system, evident from the experience of the Bank of the United States, were briefly as follows: The funds of the treasury were collected,

[1] "I determined to avert such a tremendous loss, I have been working at it for nearly eight years, and I have now the great satisfaction of thinking, that every dollar of it will probably be saved."—Biddle to S. Smith, Nov. 5, 1830, *P. L. B.*, Vol. III, pp. 385, 386. For plan see *H. R.* 460, 22d Cong., 1st Sess., p. 323.

[2] *Ex. Doc.* 118, 24th Cong., 2d Sess., pp. 114, 115.

[3] *H. R.* 460, 22d Cong., 1st Sess., pp. 480, 481.

[4] Biddle to John Cumming, June 19, 1834, *P. L. B.*, Vol. V, p. 237.

transferred, and disbursed only by means of the branches. In the dealings in exchange, both foreign and domestic, the bank's advantage was derived altogether from its system of branches. The same statement holds good for the circulation of the bank. Without the branches it would have been insignificant in quantity, and could not have been either general or uniform; as it was, the system furnished the country a currency better and cheaper than any other paper currency which had yet existed in the United States. The branches not only made this paper more convertible, but more elastic, since it was issued in response to business demands in the various localities, and withdrawn as the demands died away. Another consequence of the possession of branches was the supplying of loans at a cheaper rate to the West and South than would have been possible without them. A further result of this ability to supply cheap loans was an otherwise impossible development of western and southern industries, which was beneficial to those sections, whatever its effect upon the bank might be. Again, the control of the state-bank issues was possible only through the branches, so that the system not only gave the people a better currency, but protected them from the ravages of a much poorer one. It may be added that the branches were sure of more capable management than merely local banks, since they received the attention of able men at Philadelphia as well as that of the local directors; that the branches facilitated the distribution of loanable capital owned but not employed in one part of the Union and needed in another; and that the system gave to the managers of the bank much greater opportunities to secure valuable information about business and about men than any other system could furnish. These various advantages, it is safe to assert, cannot be furnished by any bank without branches, and it was in these that the Bank of the United States exhibited its superiority

over any other banking system ever established in the United States.

The defects of the system were, however, great and perilous. In the last analysis all resolved themselves into a failure to exercise an adequate control over the offices. To do this demanded first-class branch officials, complete intelligence, eternal watchfulness, and constant checking of the operations of the distant branches. The conditions rendered all this well-nigh impossible. The denial of accommodations at the branches made the bank unpopular, and consequently there was an overwhelming temptation to be lenient in the management of them. This difficulty was involved with a second — the nature of western and southern business. Loans in a new country are almost certain to be made on real-estate security and at long dates. This is not good banking. Yet the Bank of the United States indulged in it, and the practice of renewing even long loans, and finally of making such loans with the understanding that they would be renewed, inevitably grew up. Still more serious was the character of the branch officers and the branch directorates. On the whole they were not men of knowledge and experience in sound banking. The president, who had most influence in determining loans, had to be selected from these directors, who in turn must be taken from the state in which the branch was established — conditions which made the selection of competent officials at times impossible. Moreover, these men had to deal with their neighbors, sometimes their relatives, and in the handling of the funds of distant stockholders were more inclined to care for their friends than for the bank. Then, too, the presidents were insufficiently paid, and first-class talent could not be secured for meager salaries. In such cases it was almost vain to attempt the checking of the boards, and it was not until the cashiers were carefully selected that any considerable check upon local

banking methods and reprehensible loans was possible. Finally, the knowledge necessary and the investigations requisite for a proper control of the offices were excessively difficult to secure because of the remoteness of the offices from the mother bank and the lack of first-rate means of communication. It took weeks to get information from New Orleans and the far western offices. Yet it would not do to attempt complete government of the branches from Philadelphia, even had that been possible. The needs of the local community had to be consulted, and only men of the place could justly measure these.

The only adequate means of remedying these defects would have been the erection of a board at Philadelphia entirely separate from the local board, whose whole time should have been given to the management of the branches. Biddle objected to the suggestion when made,[1] and yet adopted it to the extent of having assistant cashiers appointed at the parent office whose business was solely with the general affairs of the bank. Had he himself been relieved of the necessity of attending to local business at Philadelphia, the results would no doubt have been highly beneficial. Had the central board been confined to general questions of management and supervision, the danger of managing the institution from the point of view of local Philadelphia interests would have been avoided, and the opportunities for correcting bad methods and prohibiting unjustifiable loans would have been enormously increased. The difficulties of communication would have been solved in time by the extension of railroads and the introduction of the telegraph, while the lack of adequate banking knowledge in the local boards would have been remedied by further experience.

[1] The suggestion of keeping the Philadelphia business separate, with a separate cashier, was made by E. J. Dupont to Biddle, Wilmington, January 30, 1826, *B. P.*

CHAPTER XVII

THE ISSUES OF THE BANK

THE charter of the Bank of the United States limited the note circulation of that corporation to thirty-five million dollars;[1] stipulated that all notes should be paid in specie on demand,[2] imposing a penalty of 12 per cent. per annum in case of all notes not so paid;[3] prohibited the issue of notes of a less denomination than five dollars;[4] and gave the notes a partial legal-tender quality by making them receivable in all payments to the United States.[5] These provisions were evidently intended to render difficult a suspension of specie payments on the part of the bank, to hinder it from making excessive issues, to restrict the circulation of paper for small sums, and to establish a uniform circulating medium for the use of the government.

Under the various administrations there was considerable difference in the management of the bank's issues. In the presidency of William Jones the use of the notes was responsible for many of the embarrassments experienced during that period. The corporation had inaugurated at the beginning a policy of expansion which was secured through the indiscriminate issue and indiscriminate redemption of its notes everywhere. As the course of exchange was always against the West and frequently against the South, this permitted the western and southern offices to issue their notes without any limitation whatever. The consequence was that the capital of the bank was drawn away to the South and West. To put an end to this perilous situation, the board of directors in August, 1818, prohibited the offices from redeeming

[1] Charter, sec. 11, Art. 8. See Appendix I. [2] *Ibid.*, sec. 11, Art. 12.
[3] *Ibid.*, sec. 17. [4] *Ibid.*, sec. 11, Art. 17. [5] *Ibid.*, sec. 14.

notes not issued by the particular branch to which they were presented. By this order the usefulness and currency of the bank's issues were seriously impaired. Once more there was no common medium of exchange, and thus the first attempt to give the country a better currency through the agency of the Bank of the United States ended in failure.

The policy of refusing to receive the notes except where they were made payable was supplemented by an attempt to restrict the issues, and these fell off by over a million from April to July, 1818, and by over three millions up to January, 1819.[1] In this month Jones was forced to retire, and in March Langdon Cheves came into control.

Cheves's policy led to a continuation of the contraction. It is true that the five-dollar notes of the bank were once more received at all the offices at par,[2] but the western offices were not permitted to issue any notes,[3] and the circulation went lower and lower. In April, 1819, its volume was less than half that of April, 1818, and by December of 1819 it was only a little over one-third that of April, 1818. Indeed, during Cheves's entire administration the issues were so carefully restricted[4] that it was hardly possible to speak of a circulation of the Bank of the United States in many parts of the country, notably in the West. In so far, however, as there was a currency, it was sound and fairly uniform.

In January, 1823, Cheves retired and Nicholas Biddle became president of the bank. Biddle was particularly anxious that the circulation should be less restricted, especially in the South and West, where the advantages of a uniform circulating medium had not been enjoyed since the restrictions were placed upon the bank's issues. To supply

[1] See chart, p. 427.

[2] Report of the Bank Committee, Sept. 25, 1818, sec. 15, *F.*, Vol. IV, p. 908.

[3] *Ibid.*, sec. 14.

[4] Thus from 1819 to 1823 the average circulation was $4,800,000, $4,400,000, $5,600,000, and $5,300,000 as against $8,400,000 in 1818. See Appendix V.

this deficiency became Biddle's anxious care, and to a great extent justly so, since the bank's profit and the country's welfare were equally involved in the restriction of the multifarious issues of the state banks. From this time the interest in the currency of the Bank of the United States centers around the manner in which the problem was solved. The difficulty was twofold: the perils incurred by the course of exchange—namely, the danger of having the capital of the institution shifted to the West and South—had to be overcome; and, in the second place, some means had to be found to supply the corporation with notes. It was impossible to furnish notes sufficient for the supply of the West and South under the provision in the charter that all notes must be signed by the president and cashier of the parent office.[1] Under this check to the issues it was impossible materially to expand the currency, and it reached a lower average in 1823 than in any other year.[2] Biddle solved these difficulties by his plan of dealing largely in inland exchange while issuing freely the bank's notes. By the buying of bills when notes were issued, a fund was provided out of which the notes were paid when they were presented at the Atlantic offices. In this way the danger of having the bank's capital shifted to the West and South was avoided.

Under this plan the note circulation of the bank was materially increased. The expansion in issues is very easily seen on the chart. In 1827 the increase was slight, but in 1828 the volume of the currency was a million and a half dollars larger than in 1826; in 1829 the increase had become $3,500,000, and in 1831 $9,500,000, or just double the average of 1826.[3] By thus doubling the circulation in five years

[1] *H. R.* 460, 22d Cong., 1st Sess., p. 53.

[2] In 1824 the average was slightly higher, and in 1825 it was higher than ever before—results brought about by the reissue of some old notes which had been retired. This supply was, however, soon exhausted.—*Ibid.*, p. 54.

[3] See Appendix V and Appendix XII.

the currency of the Bank of the United States at last became truly national and fulfilled the purposes for which it was intended when the bank was established. The notes were in excellent repute, and circulated from Montreal to the City of Mexico, the issues of the state banks were restrained, and the business of the country was carried on with more facility than at any other time between 1811 and 1860.

It was frequently asserted during the bank's existence that its issues were excessive. Yet, if they are compared with the sum to which they might have attained under the restriction imposed by the charter, they were never excessive. The charter permitted a circulation of notes to the extent of $35,000,000, and the highest sum ever out was $25,000,000, and this only for one month. The highest annual average was $22,340,000, less than two-thirds of the capital stock. Not until 1831, when three-fourths of the bank's existence had passed, did the issues average over $15,000,000, or less than one-half the amount of the capital.[1] If one looks, then, to the legislative restriction, and to this alone, it must be admitted that the note issues were never excessive, even though the incitements to note issues were so much greater at that time than they are now. But, taking the issues after 1830, it is only if one looks at nothing but the legislative restriction that they can be said to be limited. One has here, indeed, only an illustration of the truth that there is no definite proportion between a bank's capital and its note circulation. The attempt to fix a proportion between them is absurd.

The distribution of the circulation is of interest as showing what parts of the Union were chiefly supplied with a currency by the bank. The figures, of course, do not show actually what amount of the bank's notes were circulating in the regions considered, but only what amounts had been issued by the branches in these sections.

[1] See Appendix V and Appendix XII.

DISTRIBUTION OF THE BANK'S NOTE CIRCULATION AT VARIOUS PERIODS

	Sept. 30, 1818	Sept. 27, 1819	Jan. 2, 1823	Dec., 1823	Sept., 1830	Jan. 1, 1832	April 4, 1832
New England states	$ 518,415	$ 368,336	$ 393,257	$ 401,077	$ 737,897	$ 741,587	$ 900,867
Middle states	969,780	1,082,869	868,060	1,085,205	3,110,740	5,525,463	5,478,378
Southern states	3,960,550	1,179,132	2,281,765	1,728,810	4,250,285	4,950,265	5,311,370
Southwestern states	670,125	174,760	744,755	849,320	3,564,145	4,586,145	5,637,005
Western states	817,680	249,528	45,820	16,785 [1]	3,684,590	5,445,030	5,130,990
New England and middle states	1,488,195	1,451,205	1,261,317	1,486,282	3,848,637	6,267,050	6,379,245
Southern, southwestern, and western states	5,448,355	1,603,420	3,072,340	3,444,235	11,499,020	14,981,440	16,079,365

— *F.*, Vol. IV, p. 968; Vol. III, p. 511; *S. D.* 17, 23d Cong., 2d Sess., p. 193; *H. R.* 460, 22d Cong., 1st Sess., p. 535; ADAMS, *Gallatin's Writings*, Vol. III, p. 364. The figures represent net circulation, which had to be calculated in some instances.

[1] In this month the circulation of the defunct office at Chillicothe is given as $849,320. This is so evidently wrong that it has been omitted. The figures are precisely the same as those given for the New Orleans office.

The New England states were not supplied with any large part of their currency by the Bank of the United States. In September, 1818, the amount of the bank's notes issued in that section was a little less than one-thirteenth of the bank's entire note circulation. It was small relatively to the whole amount issued, and it was small considered in itself, the sum being $518,415. One year later it was much less, but relatively to the entire circulation it was a little in excess of one-ninth of the whole. In January, 1823, the proportion was about one-eleventh, and in December of this year it was one-tenth. The issues in New England had not increased to any appreciable extent, either relatively or absolutely, since 1818. By September, 1830, the total had materially increased, but not to anything like the extent that the entire note circulation had. At that time it amounted to only one-twentieth of the sum of the bank's issues. By January, 1832, the New England issues were about what they had been in 1830, and were only one twenty-ninth part of the whole. It is evident, therefore, that New England was largely outside the sphere of the bank's circulation. It never was a favorite field for the operations of the institution, and it grew less so as time passed. Undoubtedly this was largely due to the excellent system of state banks in operation throughout New England. There was little need of a national bank in these states.

In the middle states the issues were more extensive. Yet even here they were not so large as might naturally be expected. In September, 1818, not one dollar in seven was issued in this part of the Union. A year later the proportion was more favorable, being about one in three, a result due to the contraction of 1818–19 which materially limited the southern and western issues. After this time the offices in the middle states never issued so large a proportion of the note circulation. In 1823 it was from one-fourth to one-

fifth of the whole. In 1830 it was still the same, and in 1832 it had not increased to any marked degree. Considered in themselves, the sums show an increase from about a million in the early years to three times that sum in 1830, and to five times that sum in 1832. On the whole, however, considering how extended commercial operations were in both the middle and New England states, the amount of the issues in these sections was surprisingly small.[1]

The truth is that the sphere of the bank's operations was always considered to be rather in the South and West than in the East and North, and the figures show that this was the case in respect to its issues. In September, 1818, over half of them were made in the South, meaning by "the South" the branches of the bank located in the states, of the original thirteen, south of Mason and Dixon's line. A year later, after the contraction of 1818–19, the proportion here was a little less than one-third of the whole, and the total, considered absolutely, had fallen off in a remarkable manner. In January, 1823, the issues were again over half the total circulation, but did not reach nearly so high a figure as in 1818. In 1830 the proportion exceeded one-fourth, but the absolute amount of the issues was greater than ever before. There is a further large increase in 1832, but the proportion remained about the same. These facts show that the South was in the beginning the principal field of the bank's operations, and that it remained until the end a very important one. The reason for its smaller relative importance at a later date is to be found in the great extension of the bank's dealings in the Southwest and West.

As regards these sections there was a slightly different course of affairs. The Southwest was represented in the early years of the institution only by the great office at New Orleans. Its issues were very extended and usually exceeded

[1] See table of figures for the circulation of the bank at various periods, p. 408.

the sum of all those made in New England. But it was not until after 1827 that the Southwest became an especially important territory for the bank's issues. In September, 1830, the total of the note issues was only a little over a half million less than that of the southern offices. In 1832 the same continued to be the case, the offices of New Orleans, Mobile, and Natchez issuing a full fourth of all the notes emitted.

In the West—strictly speaking, at the Kentucky, Tennessee, and Ohio branches—the issues followed about the same course as in the Southwest. In September, 1818, they aggregated about one-eighth of the whole, being almost equal to the sum of the issues in the middle states. In proportion to the population and commercial interests of these new states this circulation was enormous. It was in respect to the West, therefore, that the most energetic efforts were made to restrict the circulation. In September, 1819, the total was not one-third that of the year previous, and in proportion to the entire note circulation was less than one-fifteenth of the whole. By January, 1823, the active western offices issued only $45,820, and in December of the same year only $16,785—insignificant sums which hardly permit one to speak of western issues. After 1827, however, as a result of the invention of branch drafts and the new plan of extensive operations in exchange, the change is remarkable. In September, 1830, the issues were over $3,600,000—an amount in excess of that issued in the middle states and almost equal to the sum of those of the middle and New England states taken together. The proportion is a little less than one-fourth of the whole, and this proportion is retained in 1832, which year shows a great increase in the issues of the West, the amount being over $5,000,000.

From this analysis it is seen that the South was for one-half the bank's existence the principal field for the note

issues. After 1827 the West and Southwest rise to about equal importance. Taking Southwest and West together, their total issues equal about one-half of the whole. Taking South, Southwest, and West together, in comparison with the New England and the middle states, these sections in September, 1818, had almost four times as great a note circulation; in September, 1819, it was a little over that of the East and North; in 1823 it was more than double; in September, 1830, it was three times greater, and had increased from $3,400,000 in 1823 to $11,400,000. In 1832 the proportion was not so great, though the increase since 1830 was larger than during any other two years of the bank's history.

There were, of course, many excellent reasons for this state of affairs, but the principal reasons can be given in one sentence: Banking transactions in these regions were more profitable than elsewhere and the demand for note issues was greater. But at the bottom of these facts lay a serious danger to the bank. It will not escape notice that at the periods of great expansion, which were also periods of embarrassment to the Bank of the United States, the expansion of the currency in these sections was especially noteworthy. The two periods of greatest expansion are marked by the years 1818 and 1832, and both these years saw the bank hard pressed to get command of its means.

In 1818–19, as clearly shown in the second chapter, the note issues of the South and West ran steadily in enormous streams to the East and North and were redeemed there. The southern and western branches could not and did not furnish means for their redemption. On the contrary, they poured out ever-increasing volumes of notes in response to an incessant demand for more currency. This simply meant that the southern and western borrowers invested the loans made by the bank in permanent improvements, and conse-

quently could not pay their debts when these became due.[1] A similar state of affairs existed in 1832. Under Biddle's system, which became thoroughly effective in 1827, the business of the West and Southwest had been increased enormously, and there was naturally an immense stimulus to the note issues. Again loans which were virtually permanent were made; again the immense mass of notes running to the eastern offices embarrassed the bank, which could only with great difficulty find the means with which to redeem them; again the West was called upon to settle, and again immediate settlement was found impossible.

From Nashville the cashier of the branch writes that all bills offered for collection are renewed.[2] The situation at New Orleans was precisely similar,[3] while at Louisville the cashier admitted that the embarrassments of the branch were caused by a too great extension of its credit,[4] and that bills sent to Louisville for collection were not collected but renewed. So, too, the cashier at Cincinnati remarks that "as fast as good bills of exchange are offered to be applied to discounted notes they are purchased."[5]

And yet, while the West could not discharge its debts, and while the circulation there was far in excess of any sum it had ever before attained, the cry was still for more currency. The cashier at Nashville declares that "the scarcity of money" in Alabama and Tennessee is "unexampled," and that "no portion of the Union contains a more suffering population, for lack of circulating medium, than do[illegible]t, the portion of which this office is the focus."[6] Yet in A[illegible]he the circulation credited to the Nashville office was $1,6[illegible], for 000—a note circulation greater than that of a[illegible]y other [illegible]deem- except those of Philadelphia and New Orleans. The[illegible] course,

[1] On April 1, 1819, the debt due in Kentucky and Ohio was $6,351,[illegible] [illegible] of debts, 27, and NILES, Vol. XXIII, p. 94.

[2] *H. R.* 121, 22d Cong., 2d Sess., p. 150, Oct. 21, 1832. [3] *Ibid.*, p. 47[illegible]

[4] *Ibid.*, p. 145, Nov. 18, 1832. [5] *Ibid.*, p. 148. [6] *Ibid.*, pp. 150, 15[illegible], 908, 909, sec. 15.

at Cincinnati utters like complaints, asserting that the "demand for money" is "enormous,"[1] though in April the circulation of the Cincinnati branch was in excess of $1,100,-000. What had become of this enormous mass of notes? To this question the response was that it had passed to the East.

It is plain, then, that the demand in the West was not for a circulating medium, but for capital. It was a demand for means to make what, in the nature of the case, would be permanent investments, for means to assist in developing a new country. Had the issues fulfilled the real duties of a currency there would have been no such demand for "a circulating medium." The truth was frankly and innocently expressed by Senator Ewing, when he said: "In these sections of our country, capital—accumulated capital—does not, and, in the very nature of things, cannot, exist; and there, of all places else, is there need of capital to sustain the enterprise and aid the industry of the people."[2]

Two of the most important questions about any paper currency are these: Is it truly convertible? Is it elastic? The provisions of the charter show that the paper issues of the bank were legally redeemable in specie on demand. This is convertibility, but there are many degrees of convertibility. The paper may be redeemable at a distant point; or the business habits of the community may be such as to embarrass individuals who wish to convert paper into pecie; or means may be used by a bank which will hinder most men from any attempt to get specie for the paper which strey hold. In any of these cases convertibility is only The ial, and in any of them depreciation is likely to result. furni must, therefore, examine the conditions under which poured er of the Bank of the United States was redeemable an incessa onsiderations in mind.

that the sc , 22d Cong., 2d Sess., p. 149, Nov. 21, 1832.

made by t l. VIII, Part I, p. 1255, July 11, 1832.

The issues of the bank were at their best in the first year of its existence. As the bank could not suspend specie payments, and as its notes were receivable in all payments due the government, the credit of these notes was excellent from the beginning. A third circumstance made convertibility fairly complete. Each office of the bank received the notes of all the other offices at par. The results were excellent. As today everyone accepts a national-bank note without caring to ascertain where it was issued, so at that time everyone willingly accepted a note of the Bank of the United States, because wherever there was a branch the note would be redeemed at its face value. Indeed, such notes were even superior to specie for the purpose of remittance. Under these circumstances there could be no depreciation.

Unfortunately the business conditions existing in the United States were such that this excellent condition of the currency could not continue, and, as already pointed out, the management decided in August, 1818, that the universal receivability of the notes should cease. Henceforth the notes were to be redeemed only where issued.[1] There were now nineteen distinct currencies of the Bank of the United States, and to a considerable extent the country lost one of the principal benefits sought in the establishment of the bank. The currency was not completely convertible, and this want of complete convertibility manifested itself in depreciation of the notes. This began with the order concluding their universal receivability, namely, in August, 1818, and lasted until the bank went out of existence. The depreciation was not always the same. In 1819, for instance, the bank restored the quality of universal redeemability in respect to its five-dollar notes,[2] and this, of course, diminished the rate of depreciation materially.

[1] *F.*, Vol. III, p. 367. The offices were not to pay, or receive in pa[illegible] of debts, or on deposit, any notes but their own.

[2] Order of October 16, 1819, NILES, Vol. XVII, p. 115; *F.*, Vol. III, pp. 90[illegible] sec. 15. 909.

Immediately after the order to cease receiving the notes of each branch indiscriminately at every branch, the notes were quoted at a discount. Exact figures are available only in the case of Philadelphia. On September 7, 1818, all branch notes were at a discount of 1 per cent. in that city, and they remained at this rate of depreciation until March 1, 1819, when they were quoted at $\frac{3}{4}$ per cent. discount. In July the quotation was even more favorable, being $\frac{1}{2}$ per cent. At this figure they remained for the next four years. On March 3, 1823, the depreciation at Philadelphia was $\frac{1}{3}$ per cent., and on the 2d of June in that year it was $\frac{1}{4}$ per cent.[1] At this rate it remained until July, 1824, when all depreciation on small notes ceased so far as Philadelphia was concerned, and the depreciation on large notes expired with the year. This result was due to the policy now adopted of receiving all notes at par in Philadelphia.[2]

The figures given for depreciation during this period are for the branch-bank notes generally. The issues of Boston, Middletown, and Portsmouth were at an even greater discount. In September, 1820, these were depreciated 4 per cent. in Philadelphia, and 2 per cent. all through 1821, and until June, 1822.[3] On the 4th of that month they were equal in value to other branch notes. Why the paper of these branches should have suffered greater depreciation than that of the others it is not possible to say.

The recovery of the complete credit of branch notes at Philadelphia after six years of depreciation was confined to that city. In the other towns and cities where the bank had branches the notes were still worth less than their face value. Thus McDuffie, though he asserted that the notes of the branches were paid "everywhere indiscriminately,"

1 See Appendix XI for the figures.

2 "182[illegible] [illegible] Bank of the United States receives the notes of all its branches." —GOUGE ([illegible]bbett's edition), p. 136.

3 See Appendix XI.

admitted in his report of 1830 that there was sometimes a discount, though it was never equal to the cost of transporting specie.[1] In 1833 it was proved conclusively that at Baltimore from 1820 the office had not received the paper of other branches at par from state banks, and the notes had consequently always been at a discount.[2] This ceased with October, 1833, when the bank adopted the policy of receiving all its notes at par from state banks along the Atlantic coast. The condition of affairs in New York was the same. The office refused branch notes from state banks and the notes were commonly depreciated $\frac{1}{8}$ per cent. For fifteen years brokers had bought these notes from state banks at a discount of from $\frac{1}{8}$ to $\frac{1}{4}$ per cent., and had then sold them at a smaller discount to merchants having duty bonds to pay. The latter parted with them to the Bank of the United States at par. This was true in respect to all but five-dollar notes, which were taken at their face value. Notes of other denominations were called "uncurrent," because they were not so received. Nevertheless such notes were taken by the state banks from individuals at par on deposit, or in payment of debt.[3] At Mobile in Alabama the same conditions applied to the notes of the branches.[4] Nor was this all. It is certain that some branches sometimes refused to receive the notes of other branches even at a discount, a fact which would make such paper, if far from its place of issue, virtually irredeemable. President Biddle's testimony corroborated the testimony of others. He declared that all notes of five dollars were received indiscriminately at all the branches of the bank; notes of a larger denomination were not necessarily, but usually, received at their face value; all notes offered on account of government were of course received at

[1] *C. D.*, Vol. VIII, Part II, p. 1877, and *H. R.* 358, 21st Cong., 1st Sess., pp. 14, 15.

[2] *S. D.* 24, 23d Cong., 1st Sess., pp. 6, 7.

[3] *Ibid.*, pp. 9-12.

[4] *Ibid.*, p. 4. Letter from branch of Bank of the State of Alabama, November 4, 1833.

par; the branch issuing the notes paid all of them on demand at par, as also did the parent office at Philadelphia.[1]

The conclusions which one is justified in deducing from the above facts may be summarized as follows: There was always depreciation after 1818. This depreciation, however, varied, being greater from 1818 to 1825 than it was later. Moreover, the paper was depreciated because it wandered far from its place of issue and redemption, not because it was irredeemable. The amount of depreciation, however, was inconsiderable, ranging from 1 per cent. in the early years to $\frac{1}{2}$ and $\frac{1}{8}$ per cent. in the later years of the bank.[2] All notes, moreover, were redeemable at Philadelphia as well as at their place of issue; all notes of five dollars were receivable at par everywhere; frequently all notes of all denominations were received at all the offices from individuals, but not from banks; all were receivable in payment of government dues. Finally, all notes might be, and sometimes were, refused, except at the places where made payable.

Now, this is not true convertibility. The currency was sound enough; it was uniform enough; but a part of it did not circulate at its face value except in the immediate neighborhood of its place of issue. However, when the facts are justly weighed, the matter in the later years of the bank's existence was insignificant. All the five-dollar notes were at par, and these constituted one-sixth of the entire currency of the bank, and were equal in value to two-thirds of its ten-dollar notes.[3] Fives and tens comprised by all odds the greater part of the bank's circulation, so far as the usual transactions between individuals were concerned, and the notes in the hands of individuals usually passed at their face

1 *S. D.* 79, 22d Cong., 1st Sess., p. 3, and *S. D.* 98, 22d Cong., 1st Sess., p. 3.

2 Except in the case of the New England offices.

3 GALLATIN, *Considerations on the Currency and Banking System of the United States*, p. 57. See also ADAMS, *Gallatin's Writings*, Vol. III. This was for the year 1829. There is no reason to suppose that the proportion ever decreased.

value. Not only so, but the state banks took them from their customers at par; so did the Bank of the United States, and the government received all of them at their face value. Consequently, in ordinary circumstances, depreciation could hardly have existed as between individuals. It might be concluded then that, though convertibility was not complete, though notes of over five dollars were below par when they circulated outside of the immediate vicinity of the branch which issued them, yet the currency was as convertible as possible under the system in use. This Gallatin asserted, saying that the paper of the Bank of England in like circumstances suffered an equal depreciation.[1] Yet this conclusion is not quite borne out by the facts, for after October, 1833, the bank received its paper from many state banks at par, and this immediately improved its character. The currency, therefore, admitted of improvement.[2]

Moreover, there is another important point to be noted in reference to the convertibility of the bank's issues. The business habits of the day were hostile to payments of specie for bank notes, and it was very unusual for specie to be drawn from banks in exchange for their notes. Raguet complains of this fact in 1820, and declares that while it exists there is no real safeguard against an inconvertible paper currency.[3] Crawford also lays stress upon this condition of affairs.[4] That it applied in the case of the bank and lasted all through its history is well known. Nor would public opinion support the individual who demanded the payment of obligations in specie. Banks refused accommodations to men of this class,

[1] *Considerations on the Currency*, p. 341.

[2] The principal objection to the bank's notes was that of their not being receivable from the state banks. The charter in 1832 had a clause compelling the bank to receive all its notes from state banks in payment of debts.—See Appendix IV, sec. 4 of the bill.

[3] RAGUET, *On Banking*, p. 297, report to Pennsylvania senate, Jan. 29, 1820.

[4] Crawford to Senate Committee on Finance, Dec. 29, 1818, *F.*, Vol. III, p. 394; and report to House of Representatives, Feb. 24, 1820, *ibid.*, p. 496.

and very few were bold enough or strong enough to stand out against a pressure so powerful as the combined forces of public opinion and the refusal of bank accommodations.[1] The same conditions existed among bankers themselves.

Consequently there was no immediate, automatic check upon the issues of the bank — a check which is absolutely necessary where a paper currency is almost entirely used. Otherwise there is nothing to hinder inflation except the demand for specie abroad. This was the case with the currency of the United States during the entire existence of the bank. The result was that the currency was apt to be unduly expanded at one time, and, when the foreign check came, unduly contracted.[2] As deposits were little used, the whole business of the country commonly suffered severely at every contraction and was unhealthily stimulated at every expansion. The currency, moreover, was not composed sufficiently of specie to make it in any degree stable, the amount of specie ranging from about one-sixth to one-eighth of the whole, most of it held by the banks as a reserve.[3]

It was the opinion of the Senate Committee on Finance in 1830, however, that the currency had "for some years past . . . . been improving by the infusion into the circulating medium of a larger portion of coin, and the substitution of the paper of more solvent banks in lieu of those of inferior credit;" and that the inconveniences still remaining

[1] RAGUET, *On Banking*, p. 102.

[2] "There is no example in history of a currency similar to that of the United States. It is banknotes issued without restraint, unless when a high rate of foreign exchange prevails. . . . .

"The existence of a legal right to convert banknotes into coin, is specious and imposing, inviting the judgment to conclude that it must be an effective restraint upon over-issues: but the authority which we possess to demand coin is essentially different in its effects from an indispensable necessity constantly and daily to require coin."—C. P. White, report of the Select Committee on Coins, Feb. 19, 1834, *H. R.* 278, 23d Cong., 1st Sess., p. 24.

[3] See *Triennial Report of the Bank of the United States*, 1831, NILES, Vol. XLI, p. 115. Here the committee speaks of "the great mass of the precious metals" lying "accessible in the banks of the Atlantic cities."

would "be wholly and insensibly remedied" in a brief period.[1] The currency was certainly sounder in that year than it had been since the war of 1812, but no remarkable improvement took place, and when it became certain that the Bank of the United States would not be re-chartered the licentious issues of the state banks increased instead of diminishing the unsound condition of the mass of the currency. The whole situation is tersely expressed in an oft-quoted extract from a speech of Webster's in favor of the bank:

Our system, as a system, dispenses too far, in my judgment, with the use of gold and silver. . . . . It is true that our circulating paper is all redeemable in gold and silver. Legally speaking, it is all convertible into specie at the will of the holder. But a mere legal convertibility is not sufficient. There must be an actual, practical, never-ceasing convertibility. This, I think, is not, at present, sufficiently secured.[2]

The paper of the bank was, therefore, far from being convertible in the full sense of that term. The process of getting specie on demand was too difficult to be persisted in by most men, and the notes were depreciated to a slight extent because payable only where issued. Consequently the paper currency of the day admitted of considerable improvement, and the efforts of men who wished a better currency—men of whom Benton was a type—were to a considerable extent justified by the conditions.

But it must never be forgotten that, while the paper of the Bank of the United States was not in as good a state as it might have been, it was still far preferable to the paper of the state banks, and that the choice at the time lay between the issues of the two systems. In such circumstances a sensible man could not hesitate which to choose. The state banks poured out streams of paper of a smaller denomination than $5, even as low as $1—paper that was redeemable

[1] *S. D.* 50, 22d Cong., 1st Sess., p. 23. [2] *C. D.*, Vol. VIII, Part I, p. 958, May 25, 1832.

only at the place of issue, and which had hardly any currency elsewhere; paper which was frequently not redeemable even where issued; paper of all degrees of credit. On a just review of all that was done and all that had to be faced, the Bank of the United States is not censurable for the fact that its paper was not completely redeemable. The currency was infinitely better than that supplied before the establishment of the bank; it was much better than any other paper after that event; and it was gladly taken everywhere throughout the country. One may justly conclude with Gallatin that the bank was, in the circumstances of that day, the only means to insure "a sound currency" and "a just performance of contracts."[1]

The banking methods of that time made the question of elasticity one of far greater import than it is nowadays, because the important element of the circulation now consists of the deposits; then it consisted of the note issues of banks. This fact is the significant one in every comparison of banking operations then and now, but in no consideration is it more important than in this of the elasticity of the currency.

The bank's advocates always claimed for it the particular virtue of furnishing an elastic currency. One of the greatest advantages of its paper, said the Senate Committee on Finance in 1830, is "that it bears a proper relation to the real business and exchanges of the country; . . . . increasing with the wants of the active operations of society, and diminishing as these subside, into comparative inactivity."[2] The claim was certainly not baseless. The bank's organization made its issues much more elastic than those of the present national banks, or than those of state banks. Only through a system of branches, such as the Bank of the United States possessed, can a bank currency be completely

[1] Gallatin to Robert Walsh, Jr., April 27, 1830, ADAMS, *Gallatin's Writings*, Vol. II, p. 426.

[2] *S. D.* 50, 22d Cong., 1st Sess., p. 23.

elastic, for it is only so that the currency needed can immediately be supplied where it is wanted. Moreover, it is apparent that a great bank with a large capital under its control can meet local demands much more easily and safely than a small bank. Particularly would such a bank meet the demands for a currency of small towns and villages—a demand which in many instances cannot now be met. On the other hand, the bank's connection with the government at times seriously affected the complete elasticity of its issues. Thus, whenever a portion of the national debt was discharged, the bank was called upon for large sums of specie. At such times a contraction of the issues was likely, and the property of elasticity was seriously interfered with. Again, when the government revenues yielded a surplus, the bank had on its hands an enormous amount of capital for which some use had to be found. Acting under the stimulus of the necessity, an expansion in the business of the bank then took place, and there were over-issues of its paper.

It may be argued that over-issues could not occur so long as the currency was redeemable on demand in specie, or, if they could occur, only a temporary and immediately corrected expansion would ensue. The opinion expressed by President Biddle was that a paper currency, redeemable in specie on demand, can never be long redundant, because an approach to redundancy will lead at once to a foreign demand for the precious metals; to an exportation of specie; to a rise in its price; to an immediate redemption of notes in order to obtain silver and gold, and hence to an effective check upon over-issues.[1] Meanwhile, however, the currency had been redundant; a considerable time had been necessary to correct the error, and therefore complete elasticity did not exist. There were two reasons for this state of affairs: the public opinion of the country was hostile to the practice of

[1] Article in the *National Gazette* of Philadelphia, April 10, 1828. See for extracts GOUGE (Cobbett's edition), pp. 150–55.

drawing specie from the bank, and the rule which allowed specie to be paid out only at the bank and the issuing offices interfered with the frequent presentation of the notes. In these circumstances, unhealthy expansions in the currency were not only probable, but inevitable.

Consequently, if the mass of the bank's paper was to be completely elastic, some other effective means had to be found for returning the note circulation upon the bank when the transactions upon which it was issued had ceased. One means was provided in the payments made to the government. Tariff dues were collected at all the seaports; enormous sums came in through the land offices and also through the post-offices.[1] All these payments were made into the Bank of the United States, and most of them in notes issued by that bank. Here was a ceaseless and an ever-efficient means of retiring its issues. Another resulted from the course of trade in the United States. There was always a flow of the bank's circulation from the West and South to the Atlantic cities of the North and East, a consequence of the commercial relations of these sections to one another, which made the West and South debtors to the East and North. The amount of notes[2] received in a single year at the Atlan-

[1] "The government receives its revenues from 343 customs houses; 42 land offices; 8,004 post offices; 134 receivers of internal revenue; 37 marshals; 33 clerks of courts."—Report of the Finance Committee of the Senate, March 29, 1830, *S. D.* 50, 22d Cong., 1st Sess., p. 21. According to this report the government received from these sources in the ten years preceding Jan. 1, 1830, $230,068,000.

[2] Amounts of branch notes received at the offices at Boston, New York, Philadelphia, and Baltimore:

	1828	1829	1830	1831	1832
Boston	$ 1,010,000	$ 1,844,000	$1,794,000	$ 1,816,000	$ 2,249,000
New York	11,938,000	11,294,000	9,168,000	12,284,000	13,542,000
Philadelphia	4,453,000	4,106.000	4,579.000	5,398,000	6,789,000
Baltimore	1,497,000	1,420,000	1,376,000	1,588,000	1,601,000
Totals	$18,898,000	$18,664,000	$16,917,000	$19,086,000	$24,181,000

For 1828 to 1831 see *H. R.* 460, 22d Cong., 1st Sess., p. 534; for 1832, *S. D.* 82, 22d Cong., 2d Sess., p. 3.

tic offices, largely as a result of the course of the exchanges, was very large. In addition a great deal of paper was received by the inland offices. In these ways millions of dollars in the notes of the bank were retired every month. The paper taken up in 1832 by offices which had not issued it amounted to about forty million dollars.[1] What amount of their own individual issues the offices received is not stated. It must, however, have been considerable. As the note circulation in 1832 averaged about twenty million dollars, it is evident that at least twice its volume was redeemed in that year. It is probable that this rule would hold good for most years. Thus there was a constant redemption and a constant renewal of the issues, which insured a very considerable degree of elasticity.

Speaking generally, then, it can be said that the issues were elastic, and a consideration of the issues and deposits, as revealed by the accompanying chart, will add something specific to this general conclusion. The first evidence, conclusive in itself as to the elasticity of the note circulation, is the close correspondence between the loans of the bank and its issues. The chart shows that as the loans increased the issues increased, as the loans diminished the issues diminished. This is elasticity. Carrying the analysis a little farther, it will be evident that the loans and issues fluctuate generally in a systematic and not in an irregular manner. The demand for banking credits was greater at certain periods of the year than it was at others. In the summer the demand was usually less than during the rest of the year. This was due to the fact that between two crops the necessity for banking accommodations diminished. As a general rule—a rule determined by the need of credit to grow and to move the crop—the circulation increased from October to April, then either remained at the level attained

[1] *S. D.* 82, 22d Cong., 2d Sess., p. 3.

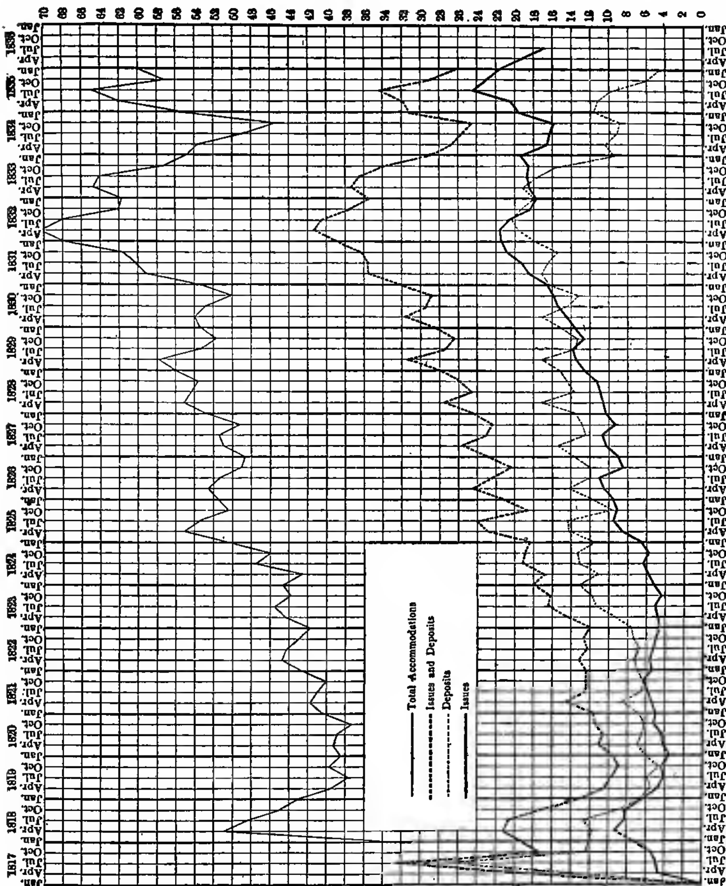
or rose slightly until July; from July to October it diminished to a considerable degree. These variations amount to several millions in a few months. That there are exceptions to this general rule goes without saying. Where there are exceptions, however, they can be explained either on the ground of something unusual in the transactions of the bank, or something unusual in the commercial condition of the country. Thus the rule for fluctuation will not apply at all during the entire period in which Cheves administered the affairs of the bank. The explanation is not far to seek. Cheves almost put an end to that part of the bank's business which was based upon the southern and western trade, in other words upon the crop. Necessarily, the fluctuations in the currency could not be determined by demands having reference to the crop. That the periods of fluctuation are changed is only additional evidence of the elasticity of the issues. Again in 1831 the issues did not decrease through the summer months. The reason was that in this year there was a general expansion of such potency that the issues could not be diminished.[1] Similarly in 1832–33 there is a contraction where regularly there should be an expansion. This is explained by the fact that the bank had to secure a stock of specie in order to redeem a portion of the public debt. Again in 1833–34 there was a similar contraction, because the bank was operating to create distress.

In the nature of the case, deposits are elastic. The line in the chart resulting from combining deposits and issues shows a wonderful correspondence with the line for "total accommodations." The circulation of the bank, using the word to include the deposits, was certainly elastic in a high degree.[2]

[1] *S. D.* 17, 23d Cong., 2d Sess., p. 97.

[2] The question of elasticity possesses importance today largely because the very inelastic currency of the United States has been productive of considerable injury to the business interests of the country. It is admitted by most that the evils inci-

CHART VI



ISSUES AND DEPOSITS
(Computed at end of each month)

That, in considering only the note issues of the bank, all the elements of the circulation have not been touched upon goes without saying. It is necessary to add to these the bank drafts in circulation, the deposits, and even bills of exchange in so far as these were transferred by indorsement. All these elements were of importance, but in the case of bills of exchange and bank drafts it is impossible to determine the amounts, and therefore they cannot be considered. Gallatin, indeed, is authority for the statement that the drafts in 1829 were equal to a million dollars in the circulation.[1] But while this gives information which is of value for 1829, it does not help in the least toward determining the amount of that species of currency for other years. It is only certain that it was a varying sum, that in the early years of the bank it amounted to very little, while after 1829 it continually increased and was of considerable importance. For instance, while in 1829 the amount was $24,384,000, in the fiscal year from July 1, 1830, to June 30, 1831, it was $33,641,000,[2] and in 1832 $45,157,000.[3]

The deposits, which constituted by all odds the most important of these elements in the bank's circulation, were almost or quite as large a part of the circulation as the note issues. But the really striking matter in regard to them, to one familiar with the importance of deposits today, is that they were so insignificant. It would be difficult now to find many banks whose deposits do not greatly exceed their note issues, while from 1817 to 1836 the one great bank of the

dent to a currency largely composed of a fixed amount of greenbacks and the inelastic issues of the national banks should be removed. The principal question, however, is as to the remedy to be used. There is certainly ground for thinking that a system of great banks with numerous branches would be by all odds the most successful measure.

[1] "The total annual amount of those drafts is about twenty-four millions of dollars, and they are on an average paid within fifteen days after being issued. The amount always in circulation may, therefore, be estimated at one million."—ADAMS, *Gallatin's Writings*, Vol. III, p. 296.

[2] *Ex. Doc.* 147, 22d Cong., 1st Sess., pp. 4-50.

[3] *S. D.* 17, 23d Cong., 2d Sess., p. 180.

country held deposits only about equal to its note circulation, and this, too, under the favorable circumstance that the larger part of them consisted of government deposits.[1]

In conclusion it will not be amiss to point out the one great defect in the paper currency of the second Bank of the United States, and to suggest remedies. The prime defect in the currency was its want of strict convertibility. This led to depreciation and to redundant issues, and interfered with the elasticity of the paper. The remedy for this state of affairs was certainly not to destroy the bank. In the stage of banking then existing that was an excess of folly. A re-charter should have been granted and the bank should have been compelled to receive all its notes at all its offices. In this respect the bill to re-charter insured great improvement,[2] for it compelled the bank to take all its notes in payment of debts due to it from state banks. This would have almost completely met the difficulty, as is proved by the result of the bank's adoption of this plan in New York and Baltimore in 1833, whereupon depreciation in those cities ceased to exist for the first time in fifteen years. In the next place, the state banks as well as the national bank should have been prohibited from issuing notes of a smaller denomination than $5. This would certainly have brought into circulation a larger amount of specie, which would have helped to check the tendency to undue fluctuations so common in the currency of that time. These measures would undoubtedly have given the country an excellent paper currency, completely convertible and sufficiently elastic. Had these things been done, the nation would in all probability have escaped the worst disasters of wild-cat banking, the mistake of the greenback issues, and perhaps the free-silver agitation.

[1] For tables of deposits see Appendix V and Appendix XIII.

[2] See Appendix IV, sec. 4 of the bill.

CHAPTER XVIII

THE BANK, THE STATE BANKS, AND THE CURRENCY

The relations between the bank and the state banks necessarily fall under consideration in any history of either the bank or the state banks. This is true because the two systems were intimately associated, not indeed by law, but by ties more strict, more far-reaching, and less easily evaded. In brief, what Bagehot has said of the Bank of England will apply to the Bank of the United States, though not to the same extent. It was the center of a "single banking reserve system." In the case of the bank this was not the result of depositing state-bank reserves in its vaults, but of the fact that the state banks made no particular efforts to keep an adequate reserve. Instead of doing so, they trusted to the Bank of the United States to protect them in case of an unusual call for the precious metals. Consequently all large demands for specie finally fell upon it; all hope of payments in time of monetary stringency rested ultimately upon it. In other words, the Bank of the United States alone was capable of preserving the soundness of the currency; it alone was responsible for the continuance of specie payments.

The most potent argument for the establishment of the bank was found in the confident expectation that it would compel the resumption of specie payments, hold the state banks in leash, and supply "a sound and uniform currency." And yet, though everyone in the country ascribed such powers to the bank, few had any conception of the precise method by which it attained these desirable ends, and fewer still had the faintest notion of the actual relations between the bank and the state banks, while probably Biddle alone had

grasped the idea that the bank held the final specie reserve of the country. In an interesting letter to Gallatin in July, 1830, his appreciation of this fact is apparent. The existence of a specie currency, he asserts, depends wholly upon the Bank of the United States, and sixty days after it ceases to exist specie payments will likewise cease to exist. The state banks almost always have their resources "strained to the utmost," and under these circumstances a slight pressure would bring on a panic, if the Bank of the United States did not stand ready to stave it off.

> Such is the inevitable tendency of the Banks. It becomes therefore of great importance to have amongst them something to which they can be anchored in these squalls. When such a demand arises as the local Bankers and private Capitalists cannot supply the Bank of the United States by means of its accumulations of Bills and its extended credits in Europe is enabled to weaken the pressure, to supply the demands at rates which ward off from the State Banks too great a demand for coin — to allow them time to diminish their issues without ruin to their customers, and by the gradual reduction of their business cure the existing disorder.

At such moments the bank is the only safeguard.[1] In other words, the local banks traded without any feeling of responsibility on their part, anxious only to make the largest possible profits and leaving to the Bank of the United States the problem of keeping up specie payments.

That Biddle's opinions were sound, that the bank was in the circumstances the only guarantor of specie payments, that it was expected to take care of the state banks and the country, is established by a number of circumstances. Its specie reserve was always much greater in proportion to its circulation than that of any other bank. The proportion was large, being fixed deliberately at one-third of its circulation,[2] though in fact it was far in excess of this for much of

[1] Biddle to Gallatin, July 29, 1830, *P. L. B.*, Vol. III, pp. 308, 309. See also the Triennial Report of 1831, NILES, Vol. XLI, p. 115.

[2] Webster, Feb. 26, 1834, *C. D.*, Vol. X, Part I, p. 737.

the time. The state banks held no such proportion. Thus in 1833, while the Bank of the United States had a circulation of $17,000,000 and held specie to the extent of $9,000,000, the state banks had a circulation of $68,000,000 and only $10,000,000 or $11,000,000 in specie.[1] The proportion of loans to its capital which it felt justified in making shows just as clearly that its responsibilities were recognized, even if only dimly. The largest sum it ever had on loan was $70,000,000, being twice the amount of its capital. Even the directors thought this proportion excessive, unwise, and unsafe, while the man on the street raved against the indiscretion of the bank, sober men suggested that a repetition of the offense should be legally prevented,[2] and a famous Philadelphia banker, friendly to the bank, in discussing the acts of the directors declared: "They have acted like madmen, and deserve to have conservators appointed over them."[3] Yet at the very same moment the New York banks had loaned two and a half times the amount of their capital, and no one censured them for doing so.[4]

This simply meant that everyone looked upon the bank, and justly, as the holder of the ultimate banking reserve, and that every state bank acted on that assumption. Perhaps the most surprising illustration of the extent of this belief was furnished by Girard's Bank. Girard was universally esteemed as a wise and conservative banker, and yet he apparently allowed his bank to run along without the slightest preparation to pay its obligations. In 1828 Biddle records his sensation of overwhelming astonishment at having Girard's cashier enter the Bank of the United States and coolly deliver the astounding information that his bank had not enough specie in its vaults to meet a sight draft for

1 Verplanck, *H. R.* 121, 22d Cong., 2d Sess., p. 5.
2 Selden, of New York, in the House, Feb. 3, 1834, *C. D.*, Vol. X, Part II, p. 2589.
3 Camberleng, quoting letter of Feb. 16, 1832, *ibid.*, pp. 2380, 2381.
4 Selden, *loc. cit.*

$57,000. Biddle at once did what alone remained to do: he loaned the Girard Bank $50,000 in specie.[1] When in 1831 Girard died, Biddle made the still more astounding discovery that his bank held only a few thousand dollars in coin to meet immediate specie liabilities for large sums. The Bank of the United States again came forward, this time with a loan of $100,000, to protect the Girard Bank.[2]

The situation was made much more perilous because of the complete lack of unity between the bank and the state banks, and because the actual elements in the situation were not plainly admitted. The lack of unity, and the general failure to recognize the actual status, made any common policy or any concerted action on the part of the bank and the state banks impossible. This was probably the most serious defect in the banking system of that day, yet it was unavoidable. Even had the Bank of the United States made overtures to the state banks for united action, it would have been repelled, for such a proposal would immediately have aroused the suspicion that it was attempting to secure an advantage. Therefore it had to do as well as it could without such agreement. So long as all was fair and debts were promptly paid, the state banks expanded to the last dollar allowed by the law and by the Bank of the United States; but as soon as a demand for specie arose or commercial panic threatened, each hastened to get under cover and to throw the burden on the others. "The action of the Banks among themselves," said Gouge, "has been compared to that of so many drunken men passing along the street together, occasionally supporting one another, and occasionally knocking one another down."[3] "If the Banks here," wrote Lenox in 1825, "were faithful to each other there would not be any difficulty, but we have reason to believe they are not."[4] It would have

[1] Memorandum of Biddle in *B. P.*

[2] Biddle to Cadwalader, Dec. 29, 1831, *ibid.*

[3] Cobbett's edition, p. 135.

[4] Lenox to Biddle, Dec. 8, 1825, *B. P.*

been strange, indeed, if there had been reason to believe anything else. In December, 1827, he again wrote that, as a consequence of unusual demands for specie, the New York city banks were exercising "great caution . . . . and a trial of skill to keep from being debtor Banks, and every engine used at home and abroad to get demands on the Branch," which of course the branch was doing its best to evade.[1] In February, 1828, Biddle noted that the Philadelphia banks in the presence of a distressing stringency were reducing and declining to bear their share of the burden of relief.[2]

The inevitable result at such times was still further to diminish confidence, increase the force of commercial distress, and throw the burden finally on the Bank of the United States, which had no means of evading it. Thus in 1825 the bank had kept off the panic so disastrous in that year to England, and in 1828 everyone looked to it for similar services, and complained bitterly because it did not discount freely and relieve the pressure. Biddle in answer published a long article explaining that it was the duty of the bank to take care of itself, and that the state banks were at fault in overtrading.[3] That he felt compelled to defend the bank is significant of the position ascribed to it in popular opinion.

Granted that the bank might justly be looked to for assistance in time of pressure, it follows, as a matter of course, that it would be perfectly justified in attempting to restrain the state banks in its own interests, as well as in the interests of the country. For its own sake it was still further bound to do so, because in case of suspension it must pay interest at the rate of 12 per cent. per annum on all its

1 Same to same, Dec. 20, 1827, *ibid.*

2 Biddle to Lenox, Feb. 12, 1828, *P. L. B.*, Vol. II, p. 344.

3 Article of April 10, 1828, in the *National Gazette*. For extracts see GOUGE (Cobbett's edition), pp. 150-55.

notes and deposits, not immediately redeemed in specie on demand.[1]

What means of control over the state banks did it possess? How could it restrain their discounts? How could it put an end to the depreciation of their paper? The process was simplicity itself: The bank merely presented the notes of the state banks for payment when they fell into its hands. As Biddle succinctly and clearly expressed it: "A branch bank is near a local bank — the branch notes are more valuable than the local notes — the local notes are exchanged for branch notes at the branch bank, which thus becomes the creditor of the local bank, and makes it pay its debts, and thus reduce its circulation. . . . . Almost all State banks stand in this relation to the bank and its branches."[2] Or, as Gallatin put it even more briefly, the process consisted "in receiving the notes of all those which are solvent and requiring payment from time to time, without suffering the balance due by any to become too large." The importance of this measure Gallatin emphasized by adding: "We think that we may say that on this operation, which requires particular attention and vigilance and must be carried on with great firmness and due forbearance, depends almost exclusively the stability of the currency of the country."[3] According to these explanations the bank became the creditor of the state banks and then forced them to pay. Two questions immediately arise: Was the bank actually always a creditor bank? and, How could it become so and remain so?

The bank undoubtedly was the creditor of the state banks at almost every moment of its existence, as is clearly proved by its returns, which show that it habitually held large balances against them.[4] These enormous balances resulted because it received more state-bank paper in payment of its

[1] Biddle pointed this out to Gallatin July 23, 1830.—*P. L. B.*, Vol. III, p. 299.

[2] *H. R.* 460, 22d Cong., 1st Sess., p. 363.

[3] ADAMS, *Gallatin's Writings*, Vol. III, p. 336.

[4] See Appendix V.

debts than the state banks received of its paper, so that after an exchange of notes the state banks would still remain indebted and be compelled to discharge the balance in specie. What amount of state-bank notes the bank took in it is impossible to say, but in 1832 it received $20,047,815.30 of such notes in places where it had no office.[1] Whatever the sum, Niles calculated in 1829 that as a consequence of its branch system the bank was able to present to the state banks for redemption their notes to five times the amount that they could present of the bank's in return.[2] Whether this calculation was or was not correct, it is certain that the bank received more of the paper of state banks than they received of its paper, and was consequently almost always the creditor. It only remains, therefore, to explain how it became so, and how it remained so.

The fundamental means of obtaining this result was the exercise of proper restraint in its own dealings. It follows as a matter of course that if the bank discounted less and issued fewer notes than the state banks, it would probably receive more of their notes in payment of debts due to it than the state banks would receive of its notes. This result was made certain by its collecting all the revenues of the government, much of which came to it in state-bank paper. Thus it secured an immediate claim upon them for specie, and a means of keeping down their discounts.[3] These were the principal sources of the bank's power, and either of them alone would have sufficed.

There were other means of exercising control besides that of presenting the state-bank notes for specie. In all payments to the government the state banks had to satisfy the Bank of the United States that their notes were equivalent to specie, before the government would receive them,[4] and if

[1] *S. D.* 82, 22d Cong., 2d Sess., p. 3.

[2] NILES, Vol. XXXVI, p. 210.

[3] Isaac Bronson to J. A. Hamilton, April 4, 1833, *Reminiscences*, p. 254.

[4] *Rules and Regulations for the Government of the Offices*, Art. 24. See Appendix X.

the government refused them, a source of extensive circulation was immediately closed.[1] Further, the bank would not only stop the receipt of notes by the government, but it would not itself receive them, and when neither the government nor the bank took the notes of a state bank, they would not be received by individuals. Hence the Bank of the United States could keep the state banks on a specie-paying basis and restrict their business, or destroy the credit of their notes.[2]

The bank, moreover, was able to keep its immediate demands for specie from the state banks in excess of those of the state banks upon it, by refusing the receipt of its branch paper in settlement of balances.[3] The notes of the state banks circulated for the most part in the neighborhood of their issues, while branch notes circulated everywhere in the United States. It was consequently easy for the bank to collect and present for redemption the paper of the state banks; it was sometimes impossible for a state bank to present the notes of the branch in its vicinage, and seldom possible to do this for a large amount even when it had a considerable quantity of branch notes on hand, for there would probably be but few of the notes of the neighboring office among them. Moreover, to make certain that the branches should keep the state banks in debt, it was customary to receive from individuals the notes of state banks

1 Extensive circulation in the case of most southern and western banks was possible only because the government took their notes in payment of tariff dues, post-office receipts, land payments, internal revenue, etc.

2 The cashier at Louisville in 1832 writes that "all other notes" are excluded "from circulation" because the branch refuses to receive the notes "of any bank except the Bank of the United States and its branches."—*H. R.* 121, 22d Cong., 2d Sess., p. 146.

The refusal to receive their notes was, however, sometimes desired by state banks, as it left them absolutely free from all control. "Among the great variety of measures which we have been obliged to resort to to keep the State Banks up to a proper standard, it has generally been found that not to take their Notes, is what is often most desired, since in this way they escape control."—Biddle to Gallatin, July 23, 1830, *P. L. B.*, Vol. III, p. 297.

3 This was not infrequently done.—*S. D.* 24, 23d Cong., 1st Sess., pp. 2-4, 9-12.

on deposit and pay the deposit in branch notes.[1] In case the branch notes were not at once drawn out, no immediate demand was created upon the office, while, even if they were at once withdrawn, no equivalent demand would be created, because in the natural course of trade most of these notes would be carried to Philadelphia for payment. Meanwhile the state-bank notes became an immediate demand for specie upon the state banks. At times the bank even furnished its own notes to a branch with instructions to issue them for state-bank notes, when the same result would be attained.[2]

The bank's control was rendered more efficacious, and its action was immediately and keenly felt, because a call for specie did not mean simply the retirement of a dollar of paper for the payment of a dollar in coin. To secure the specie, the state banks were forced to call upon their debtors, and these, whenever possible, paid in state-bank notes instead of in coin. Consequently, Taney calculated that to collect $1,000,000 in specie the circulation would have to be diminished four or five millions.[3] A balance against the state bank was therefore an engine of tremendous potency in compelling these banks to restrict their dealings. So potent, indeed, that one is safe in accepting Biddle's assertion that there were "very few banks which might not have been destroyed by an exertion of the power of the bank."[4]

On the other hand, the Bank of the United States was itself constantly restrained by the state banks. This was the inevitable outcome, for otherwise it would fall into debt

[1] The president of the Fayetteville branch speaks of the impossibility of continuing "to receive Local Bank Notes in deposit, repayable in notes of this office."—To Biddle, July 29, 1826, *B. P.* See Biddle, *H. R.* 460, 22d Cong., 1st Sess., p. 363.

[2] Biddle to Cumming, Feb. 20, 1830, *P. L. B.*, Vol. III, p. 183. In both cases noted above the bank would create an immediate demand upon the state bank and a remote demand upon itself, usually payable at Philadelphia.

[3] *Ex. Doc.* 2, 23d Cong., 1st Sess., p. 9.

[4] *S. D.* 50, 22d Cong., 1st Sess., p. 25. Report of March 29, 1830. See Niles's remarks on the position of the bank in 1829, Vol. XXXVI, p. 209.

to them and lose its commanding position, with the added risk of creating a pressure so intense as to lead to its own bankruptcy. Control, therefore, was reciprocal. The advantage of the Bank of the United States lay in knowing what it wanted, in having the means to attain its wishes without unduly contracting its business, in possessing branches, and in having a unified policy.

It is evident that the bank could easily secure balances against the state banks, that it usually held such balances, and that it had various other means of exerting pressure upon the state banks. It can be as little doubted that it did exert pressure upon them. Biddle asserted, the state banks complained, that it did so. The pressure exerted and the control attained, however, varied at different periods during its existence.

During the years 1817–18 the bank failed ignobly to perform its duty in this respect. True, it secured a resumption of specie payments by an agreement with the state banks, and it established a rule by which they were to settle for their notes "at least once a week."[1] But having done these things it seemed to lose all control, not only of the state banks, but of itself as well.[2] The failure to hold the state banks in check was one of the items of censure in the report of the congressional committee of 1819,[3] and it was responsible for many of the embarrassments in which the bank was then involved.

During the administration of Cheves the bank issued a very limited quantity of its own notes, using instead the notes of the state banks when it made discounts. Cheves thus surrendered the "most efficient means" of supplanting

[1] *Rules and Regulations for the Government of the Offices*, Art. 25. See Appendix X.

[2] The balances due from the state banks at no other period averaged so high. See Appendix V.

[3] *F.*, Vol. III, p. 307.

the issues of the state banks and of furnishing a sound and uniform currency,[1] and gave state-bank notes a wider currency by issuing them instead of demanding their immediate redemption. On the other hand, the failure to issue its own notes increased the corporation's power over the state banks to an extraordinary degree, since it received their notes in large quantities, while its own notes could not be secured by them as an offset to the demand upon them. As a consequence the insistence upon the payment of balances remaining in the possession of the Bank of the United States, even after its issuing of large quantities of state-bank notes, was almost intolerable to the state banks. Out of this situation arose the disputes with the Savannah banks. In 1821 they were "severely crippled by the measures of the Bank of the United States" which threatened them with "absolute ruin."[2] All this, too, when the Bank of the United States was permitting them to hold a permanent credit in its funds of $100,000 and demanding payment only of the excess of that sum once a week.

When Biddle became president he at once adopted a plan to repress the issues of the state banks and put an end to the depreciation of their notes, with the object of expanding the business of the Bank of the United States while at the same time giving a sound and uniform currency to the country. To adopt a rule to collect balances was nothing new, to keep it was. Biddle put the rule into effect once more; and for the most part he kept it. The results were notable. In 1824 the Virginia banks were forced to reduce.[3]

[1] In this way, said Biddle, the bank "surrendered its most efficient means of control over the currency."—Triennial Report of 1828, NILES, Vol. XXXV, p. 74; Triennial Report of 1831, *ibid.*, Vol. XLI, p. 111. Gouge asserts that Cheves's policy helped to delay the renewal of specie payments in South Carolina until 1823.—GOUGE (Cobbett's edition), p. 104.

[2] The president of the Planters' Bank to Crawford, July 21, 1821, *F.*, Vol. IV, pp. 1068, 1069.

[3] C. J. Nicholas to Biddle, Richmond, Aug. 10, 1824, *B. P.*

In 1825 the constant settlement of balances was general.[1] In 1826 the bank undertook to correct the currency of Alabama, avowing that purpose when establishing a branch at Mobile[2] and instructing it to adopt "frequent and regular settlements with the State Bank of Alabama," and to insist upon the immediate payment of the balances in specie or paper equivalent to specie,[3] with the result that the state bank was compelled to yield and Alabama notes ceased to be depreciated.[4] In 1825 the state banks of North Carolina, old and hardened offenders, which had refused specie payments at pleasure since 1822,[5] were taken in hand, but after ten months' struggle the attempt was given up because it was impossible to continue it "without a further supply" of branch notes.[6] It was only in 1827 that this deficiency was made good by the invention of branch drafts, which at last gave the bank the means of securing control by the process of exchanging branch notes for state-bank notes. As a consequence the North Carolina state banks yielded in 1828, making an agreement with the Bank of the United States to pay specie and settle their balances regularly.[7] This marks the moment when through the use of branch drafts

[1] See pp. 97, 98.

[2] "But if any bank should so mismanage its affairs as to be unable to meet its engagements, the continued issue of its notes would be injurious to the community, ... In such an event, the directors of the Bank of the United States would deem themselves faithless to their great duty to the country, the preservation of a sound currency, if they did not control an institution thus insolvent and mischievous. And this duty they would endeavor to perform with great gentleness and great forbearance, but with great decision."—Biddle to Governor Murphy of Alabama, Oct. 6, 1826, NILES, Vol. XXXII, p. 125.

[3] Resolution of the Bank of the United States, July 24, 1829, *B. P.*

[4] Biddle to Joseph Hemphill, Feb. 8, 1830, *P. L. B.*, Vol. III, p. 174, declares that the bank has corrected the evils of the issues of the state bank, and that its notes are now at par.

[5] NILES, Vol. XXIII, p. 309, for beginning of failure. North Carolina notes were all depreciated in 1828.—*Ibid.*, Vol. XXXIII, p. 331, and Vol. XXXIV, pp. 153, 154.

[6] John Huske, president of the Fayetteville branch, to Biddle, July 29, 1826, *B. P.*

[7] Biddle to John Huske, April 17, 1828, says the plans are being worked out.—*P. L. B.*, Vol. II, p. 374. A little later Cowperthwaite was sent to make the arrangement with the North Carolina banks, and did so to the effect stated in the text.

Biddle at last brought to a successful conclusion his plan of keeping state banks in debt, compelling payment of balances, reducing their business, diminishing their issues, and making their notes as good as specie.

Biddle himself claimed in this very year that the plan had been everywhere perfectly successful,[1] and his assertion was corroborated by others. Thus in 1830 McDuffie expressed the belief that North Carolina notes were the only ones at a discount, and these were depreciated only 1 or 2 per cent.,[2] while a year earlier they had been at 5 to 8 and 12 to 14 per cent.[3] Even Gouge admits that the Bank of the United States had succeeded in North Carolina.[4] In Missouri it was asserted that the depreciated currencies of the state had been completely driven out of existence by the establishment of the branch at St. Louis in 1829,[5] while Congressman Hardin declared that the bank had done this for the entire West.[6] The truth of the assertion as to Missouri is not open to question, for Benton urged it as a subject of complaint.[7] In the *Southern Review* in 1831 President Cooper, though unfriendly to the bank, makes the same admissions relative to the southern states, asserting that the banks of the South had "been rigidly kept to cash payments by the Bank of the United States," and he saw "nothing unfair in this, although the cash of the district" was "almost monopolized by the branches. We should be wanting in

[1] "By a gradual and judicious execution of this plan the effect followed, that without private or general suffering — without causing the failure of any bank, or of any individual; and without inconvenience to the bank of the United States, the banking operations of the country have been brought under an efficient control; and a large amount of the notes of the bank of the United States have been gradually substituted for the depreciated or doubtful currency, which was so injurious to the southern and western states."—Triennial Report of 1828, NILES, Vol. XXXV, p. 74.

[2] *H. R.*, 358, 21st Cong., 1st Sess., p. 18, April 13, 1830.

[3] NILES, Vol. XXXIV, p. 154.

[4] GOUGE (Cobbett's edition), p. 162.

[5] *C. D.*, Vol. X, Part II, p. 2782.

[6] "The Bank of the United States has cleared the whole country of that kind of paper, and substituted, in its stead, its own paper, which is preferable to gold and silver on account of its portable quality."—*Ibid.*, Part III, p. 3406, April 3, 1834.

[7] *Ibid.*, Vol. VIII, Part I, p. 127, Jan. 20, 1832.

honest candor," he continues, "not to acknowledge that the paper currency of this country has been wonderfully amended by its operations, and is, in consequence of them, in a state, not perfect indeed, but not reasonably to be complained of."[1] One thing is open to no dispute. In some way the state-bank currencies were vastly improved between 1823 and 1830. It may be that the Bank of the United States was not wholly responsible for this result, but certainly Biddle and countless others, friends and foes, believed it to be so; and as the bank had been diligently toiling to attain this end, and actually used a multitude of means to attain it, the most reasonable conclusion is that the corporation was responsible.

How great the actual improvement was is evident from a review of the status of bank paper before 1830. In 1823 the Illinois and Kentucky state-bank currencies were worth less than half their face value.[2] In 1824 Tennessee bank paper was at 30 per cent.,[3] and Alabama paper at from 26 to 28 per cent. below par.[4] For the years 1824–25 Gouge summed up the situation as follows: "In Kentucky, society was in a state bordering on anarchy. In Alabama and Tennessee, the paper of the local banks was much below par. Ohio, Indiana, Illinois, and Missouri, had not recovered from the effects of the relief system. The currencies of Georgia and North Carolina were very vacillating."[5] In 1825 in parts of Kentucky specie was at 60 and 100 per cent. premium,[6] while Bank of the Commonwealth paper was worth only fifty cents on the dollar.[7] In August, 1826, it was announced that "all the banks in Nashville" were "about to resume specie payments;"[8] and it is significant that in this year the

[1] *Southern Review*, Vol. VIII, p. 24.

[2] NILES, Vol. XXIII, p. 96; Vol. XXIV, p. 342.

[3] GOUGE (Cobbett's edition), p. 97.

[4] NILES, Vol. XXVI, p. 200.

[5] GOUGE (Cobbett's edition), p. 145.

[6] NILES, Vol. XXVIII, p. 304, July 9, 1825, quoting the Versailles *Commonwealth*.

[7] *Ibid.*, Vol. XXIX, p. 4, Sept. 3, 1825.

[8] *Ibid.*, Vol. XXX, p. 416, Aug. 12, 1826.

bank established a branch at Nashville. In 1827 there were no local banks in Kentucky, Indiana, Illinois, or Missouri, while there was but one in each of the states of Tennessee, Mississippi, and Alabama.[1] In 1830, as already noticed, McDuffie asserted that only North Carolina notes were depreciated. From 1823 to 1830, therefore, the notes of the state banks everywhere, with an exception in the case of North Carolina, had been either driven out of circulation or made redeemable in specie on demand.

Not only was there an improvement in the character of the currency, but its amount had been diminished in a marked degree. Gallatin states that from 1816 to 1820 the total circulation of all the state banks had fallen from $66,000,000 to less than $44,000,000.[2] From that time to 1829, "with a treble capital they" had "added little more than eight millions to their issues," while the Bank of the United States had added about $11,000,000 from November, 1819, to November, 1829. "The whole amount of the paper currency" had in that time been increased about 45 per cent., of which increase the state banks issued less than one-half—a wonderful improvement, which Gallatin attributes wholly to the bank.[3] During its existence the state banks never issued as much paper as they issued in 1816, though population had almost doubled and commercial dealings had increased incalculably.[4]

Admitting that the bank restricted the state banks, did it do this to as great an extent as should have been done? Did it bring the currency into as good a condition as was possible? Was it as strict as circumstances demanded? The fact that the state banks always had such large credits at the

[1] GOUGE (Cobbett's edition), p. 97.

[2] ADAMS, *Gallatin's Writings*, Vol. III, p. 334.

[3] *Ibid.*

[4] The amount of money (mostly paper) in circulation per capita in 1816 was $11; in 1819, $7.75; in 1829, $6; and from 1829 to 1834, $6.35.—Woodbury's tables, *S. D.* 13, 23d Cong., 2d Sess., p. 64.

national bank would be *prima facie* evidence that this was not the case. "It is obvious," said Gallatin, "that it is only by keeping its discounts at a lower rate than those of the state banks that these can be its debtors; and that it is only by enforcing the payment of the balances that it can keep them within bounds and thus regulate the currency."[1] Now the bank, even when attempting to restrict the state banks, did not enforce the payment of balances as strictly as it should have done. This failure existed, not only under the administration of Jones and Cheves, but also under that of Nic~~holas Biddle~~. In 1825 he writes the cashier at Baltimore that he held it "good policy" for the time being "not to be too rigid in our drafts" on the state banks.[2] In 1826 he instructs the president of the New York branch not to call for specie, unless first called on for specie,[3] and in 1832 he laid particular emphasis upon the virtue of forbearance in demanding specie from the state banks.[4]

Insufficient exercise of its power is also apparent in the continued worthlessness of some of the state-bank paper. In June, 1829, the New York *Herald* asserted that there were "a great many bills in circulation" in that city which were "worth literally nothing at all," and Niles adds that the same state of affairs exists in Philadelphia, Boston, and Baltimore.[5] Moreover, in many of the states notes of a denomination as low as $1 circulated, and specie was paid

[1] "Suggestions on the Banks and Currency," ADAMS, *Gallatin's Writings*, Vol. III, p. 395. See also *S. D.* 13, 23d Cong., 2d Sess., pp. 29, 30, for Woodbury's opinion.

[2] Biddle to John White, April 19, 1825, *P. L. B.*, Vol. II, p. 15.

[3] Biddle to Lawrence, Feb. 8, 1826, *ibid.*, p. 127. The same instructions were repeated in March.—Cope to Lawrence for the board, March 23, 1826, *ibid.*, p. 142.

[4] "Approaching, as we are, the 1st of October when we will inevitably become largely in debt to the State Banks we ought to forbear from pressing them now in order to deserve and to ensure a reciprocal forbearance when our relative situations change, and our whole effort should be to keep the State Banks at their ease, so that if we are compelled to curtail they may supply our place — and in the meantime devote all our surplus means to the purchase of exchange and the redemption of the 3 per cents."— Biddle to Cadwalader, Washington, July 1, 1832, *B. P.*

[5] NILES, Vol. XXXVI, p. 251, quoting the New York *Herald*.

only for sums less than one dollar, while in the two Carolinas "and some other parts of the Union, notes for twenty-five cents, for twelve and one-half cents, and even six and one-quarter cents" were "current."[1] Now, while the bank might have checked this by putting pressure upon the banks issuing sums for less than $5, it apparently did not choose to do so,[2] because it did not care to suffer the certain unpopularity which would have followed drastic measures. Hence it permitted an immense circulation of notes of less value than $5 — calculated, indeed, at almost one-fourth of the amount of currency issued by the state banks.[3]

Yet it would be grossly unjust to censure the management of the bank without first considering the enormous obstacles in its way. The restraints placed upon the state banks were bitterly resented, and the difficulty of keeping this up in the face of a Democratic opposition which supported the local banks must be too obvious to need comment. The struggle of the bank with the banks of Georgia and with the state of Georgia, with the banks of Ohio and with the state of Ohio; the opposition of the southern and western states all through the presidency of Cheves, will not be forgotten. Similarly, during Biddle's administration, the opposition of Alabama to the establishment of a bank was equally strenuous. Again, in September, 1831, the Bank of Maryland protested against the action of the bank in attempting to force payment for its notes.[4] The bank was forced to yield, for such opposition at that moment might be fatal to the chances for re-charter. Perhaps the best illustration of its difficulties,

[1] GOUGE, *An Inquiry into the Principles of the American Banking System*, p. 21.

[2] It was even argued that, since the Bank of the United States did not take bills under $5, and since these "constitnte nearly a quarter of the circulation of the state banks," the bank could not control the state banks.—*Remarks upon the Bank of the United States by a Merchant*, p. 30. If, however, the state banks issued bills of $5, which were received by the Bank of the United States, they might be controlled quite as effectively no matter how much fractional currency was issued.

[3] *Ibid.*, *loc. cit.*

[4] Biddle to R. Oliver, Sept. 10, 1831, *B. P.*

however, is found in its strife with the Bank of the State of South Carolina in 1832. Up to December of that year the Charleston branch of the Bank of the United States had been accustomed to take the notes of any of the branches from this bank in payment of debts.[1] This was certainly a favor to the Bank of the State, and one which prevented any stringent restraint of its business. In December, 1832, however, the office began to refuse the receipt of the notes of other branches and also declined to take the notes of other state banks from the Bank of the State of South Carolina.[2] Great excitement resulted: Hayne, McDuffie, and Hamilton protested, while the latter assured Biddle that South Carolina would nullify the bank charter as well as the tariff of 1832 if redress was not accorded.[3] Governor Hayne actually risked his popularity by his exertions to stay hostile action by the legislature.[4] Biddle at once instructed the president at Charleston to put an end to the causes of complaint.[5] Such events aid in measuring the significance of Biddle's assertion that, while the state banks were carefully kept "within proper limits," they were "never forced to pay specie, if it" could "be avoided," and that the balances were "suffered to lie occasionally until" the debtor bank "could turn round."[6] On the whole, the bank is deserving of high praise for the control actually exercised in such circumstances.

There was, however, another extremely serious aspect of the situation. The mere demand for specie was very unpopular. "If you call for specie," wrote Lenox, "it fixes an

[1] J. Hamilton, Jr., to Biddle, Dec. 20, 1832, *ibid.*

[2] Biddle to President Johnson of the Charleston office, Dec. 25, 1832, *S. D.* 17, 23d Cong., 2d Sess., p. 310.

[3] J. Hamilton, Jr., to Biddle, Dec. 20, 1832, *B. P.*

[4] Hayne to Biddle, Dec. 15, 1832, *ibid.*

[5] Biddle to Johnson, Dec. 25, 1832, *S. D.* 17, 23d Cong., 2d Sess., p. 310.

[6] Report of the Senate committee, March 29, 1830, *S. D.* 50, 22d Cong., 1st Sess., p. 25.

odium upon us,"[1] and no doubt Biddle enunciated a trite truth when he asserted that the state banks were "never forced to pay specie, if it can be avoided." Equally true was it that the Bank of the United States never paid specie if it could be avoided. Biddle in 1828 instructed Lenox that no coin was to be paid out for exportation if possible to evade it,[2] and in 1823 he wrote: "Whenever there is a draft from an individual for specie to any amount the State Banks are made to pay it if the Balances allow it."[3] In 1829 the branch at Baltimore in selling a draft upon the parent office stipulated "that it was not to be used as a *specie* demand upon the Bank."[4] The habit of avoiding specie demands was, in fact, universal in the United States. "It is quite amusing," wrote an Englishman who had resided in America, "to observe the care which merchants in America take to prevent runs on banks, and keep hard money out of use."[5] The result was twofold; specie was kept out of circulation, and it was so scarce that the business of the country was necessarily subject to those vibrations which Biddle constantly mentioned[6] and Gouge emphasized. Perhaps, too, such shocks were necessarily incident to the industrial conditions of a new country, and the American temperament was partly responsible: "Our active and energetic countrymen," wrote Biddle, "want no stimulant to over exertion. They always carry so much sail, that the man at the wheel, must try to keep his hand strong and his head cool."[7] Moreover, the amount of specie in the country was very small, and for the most part lay in

1 Lenox to Biddle, Feb. 28, 1828, *B. P.* 2 Biddle to Lenox, Feb. 27, 1828, *ibid.*

3 To C. P. White, of New York, Feb. 3, 1823, *P. L. B.*, Vol. I, p. 6.

4 John White to Biddle, Baltimore, March 4, 1829, *B. P.*

5 EDWARD CLIBBORN, *An Outline of the American Debit or Banking System*, p. 31, note 1.

6 "In the active commercial business of this country, there are constant vibrations."—Biddle, *H. R.* 460, 22d Cong., 1st Sess., p. 333. Also in his article of April 10 in the *National Gazette*.

7 Biddle to Senator Smith, Nov. 14, 1830, *P. L. B.*, Vol. III, p. 392.

the banks along the Atlantic seaboard.[1] The cause of this slender stock lay not only in the pernicious habit of evading specie calls, and in the public disfavor meted out to those who demanded specie, but also in the unusual facilities given by the state laws for the emission of small notes.

Under these circumstances, the problem of neutralizing Biddle's "constant vibrations" and of checking an incipient panic became a very difficult one. Biddle declared to Gallatin that the Bank of the United States was essential to the country in this respect, that it alone possessed the power of warding off constant shocks to commerce, and that it did this by buying and selling foreign exchange and thus preventing the exportation of specie.[2] No doubt the bank's services in this respect were sometimes important, but it would be difficult for it to draw bills unless it had accumulated funds abroad. As Biddle pertinently put it during the pressure of 1828: "How this drawing is to be performed without having accumulated any fund to draw upon, is not clearly indicated."[3] In case this method failed, as it was sure to do during a commercial crisis, there remained several other means of checking the panic. Stock might have been sold abroad, and thus a store of specie secured, or the time of discounts might have been shortened, and the English method of a rise in the rate of discount might have been adopted.

Unfortunately, the bank could not raise its rate, because it was bound by its charter to loan at 6 per cent. Even had it been able to vary its rate, the idea of doing this would hardly have occurred at that time. The other methods were employed, therefore. Thus in 1825 United States stocks were

1 "Now the basis of our circulation medium, from its being chiefly in the vaults of Banks at the seaports, is liable to sudden and extensive reduction, often compelling the banks to extensive and equally sudden reductions in their discounts and circulation."—*Outline of a Plan for a National Bank*, p. 13.

2 See pp. 111, 112.

3 Article in the *National Gazette*, April 10, 1828. See for extracts GOUGE (Cobbett's edition), pp. 150–55.

sold, specie secured, and the bank continued to loan.[1] But the national debt was discharged in 1834, and indeed this method of meeting an emergency ceased early in 1832, so far as the bank was concerned. Even in 1828 it could not sell stocks for cash. In such circumstances it was compelled after seasons of brisk trading to shorten its term of discounts and try to collect from its debtors.[2] These measures would be effective in saving the bank, but they would only intensify the panic and carry commercial ruin farther. Still, in a season of great stringency one could hardly expect the bank to dispense loans without regard for the consequences. Had there been an understanding with the state banks and concerted action, loans could have been made, and the panic thus checked. But when each bank jealously watched the others and tried to avoid its own ruin, the Bank of the United States cannot be severely censured for its policy.

It is surprising, on the whole, that the corporation had to adopt such drastic methods as seldom as it did. After the administration of Jones such occasions came only twice: once in 1828 and once in 1831–32. In both cases the bank got through without injury to itself, and the business of the country was not seriously checked.

The correction of the evil would have involved, therefore, the training of the public to make demands for specie and the passage of laws prohibiting the issue of small notes. Biddle frequently gave it as his opinion that the "metallic basis" of the currency should be widened, and he suggested, as did Gallatin and Webster, the abolition of the use of small notes and the laying of heavy penalties for a refusal to pay specie.[3] He believed that if the banks were compelled to withdraw all their notes below the denomination of $5 the currency would be vastly improved.[4] Undoubtedly the view was correct.

[1] See p. 107.
[2] See Biddle in the *National Gazette*.
[3] *H. R.* 460, 22d Cong., 1st Sess., p. 367.
[4] Biddle to Gallatin, Sept. 9, 1830, *P. L. B.*, Vol. III, pp. 340, 341.

The bank's control varied greatly with the location of the state bank, with the business habits of the community, with the state of public opinion, and with its own circulation. In New England it would have little control, for it did a very restricted business. In the large cities banking methods were much better understood and the community would support it in its attempts to restrain bad banking; but in the country districts, and in the far South and West, the task was almost insuperably difficult.

What the Bank actually did brought down upon its head the violent enmity of the state banks. This was so because the bank, in reducing the business of the state banks, not only hindered them from engaging in unjustifiable operations, but actually diminished their legitimate business by attracting this to its own offices. So powerful was the consequent opposition that in 1832, when the new charter was before Congress, the friends of the bank were forced to accept an amendment which would have gone far to deprive the bank of its control over the currency, for it allowed the state banks to present any of the notes of the bank to any of the branches in payment of debts.[1]

Gallatin was of the opinion that the bank lost its power to regulate the currency as early as 1832–33, because in those years its discounts and issues were excessive.[2] The fact that the state banks were indebted to the national bank all through these years shows that this was an error. The bank lost its power only in 1835, in which year the balances ran against it for much of the time and ranged from $62,000 to $3,987,000. The removal of the deposits had been the first blow, but this was by no means immediately effective, as is shown by the history of the years 1833–34, when the

[1] See the fourth section of the bill to renew the charter, Appendix IV. See also Dallas's speech in introducing the bill, May 23, 1832, *C. D.*, Vol. VIII, Part I, p. 948.

[2] "Suggestions on the Banks and Currency," ADAMS, *Gallatin's Writings*, Vol. III, p. 394.

bank was a heavy creditor of the state banks. The second blow was the prohibition of the receipt of branch drafts in payment of government dues, which took effect in January, 1835; yet even these two measures would not have robbed the bank of its mastery had it chosen to exercise it. But by this time it was beginning to settle its affairs, its system was broken up, and the state banks were allowed to run their own course.

CHAPTER XIX

THE BANK AS A GOVERNMENT AGENCY

THE charter of the bank defined its duties to the government and the privileges accorded it for their performance. It was bound to transfer public funds from one part of the Union to another, without making any charge for exchange or for transportation; on the same terms it was to act as commissioner of loans when required by Congress, and to pay the public creditors.[1] It paid to the government a bonus of $1,500,000, and was bound at the demand of the treasury to transfer to the United States any stocks subscribed to its capital at the price of the stock when subscribed.[2]

In return, certain valuable privileges were bestowed upon the corporation. Its notes were to be legal tender in all payments to the United States;[3] it might sell government stocks to the amount of $2,000,000 annually, provided that the secretary of the treasury was first given the option of purchasing;[4] the public funds had to be deposited in its vaults in every state in which it established an office,[5] and the United States contracted not to create any other national bank during its existence.[6]

The financial embarrassments which almost overwhelmed the government just prior to the erection of the bank were rapidly overcome after it began operations. The notes of the bank at once supplied the government with a common medium of exchange in which it paid its debts and received its dues. In January, 1817, the bank loaned the government

[1] Charter, sec. 15. See Appendix I. In relation to the bank's duties as commissioner of loans, see *Statutes at Large*, Vol. III, p. 360.

[2] Charter, secs. 5 and 6. Including the $7,000,000 stock subscription of the government.

[3] *Ibid.*, sec. 14. [4] *Ibid.*, sec. 5. [5] *Ibid.*, sec. 16. [6] *Ibid.*, sec. 21.

$500,000 as a fund out of which to pay its most urgent liabilities,[1] and began immediately afterward to discount notes of merchants having duty bonds to pay.[2] Finally, by entering into the agreement of the 1st of February with the state banks, by which they contracted to pay specie for their notes, it virtually established the resumption of specie payments. The treasury thenceforth could accept either notes of the Bank of the United States or those of the large state banks without loss or annoyance to itself.

But while relief was given, its extent varied in different parts of the Union. In the West and South, for instance, the currency was much depreciated, yet in these sections the secretary of the treasury believed it expedient, indeed necessary, that the United States should accept large quantities of state-bank paper in payments on government account. This necessity existed because in many parts of the interior notes of the Bank of the United States could not be supplied, and consequently so long as large amounts were paid in, on account of direct taxes, internal revenue, and the sale of public lands, the paper of state banks had to be received.[3] Yet even so, most of the difficulties of the government in the West and South also disappeared for the time, because the Bank of the United States received almost all state-bank notes, and credited them to the treasury as cash.[4]

But while the receipt of state-bank paper terminated the major part of the embarrassments of the treasury, it initiated those of the bank. The discovery was early made that the paper received was not equivalent to gold and silver. Con-

[1] Smith to Crawford, Jan. 4, 1817, *F.*, Vol. IV, p. 764.

[2] Resolution of the board, Jan. 9, 1817, *ibid.*, p. 766.

[3] Crawford to Jones, May 6, 1817, *ibid.*, p. 524.

[4] "The notes of all such banks, in the western States, were received by the land officers and deposited as specie in the offices of the Bank of the United States and in the State banks, employed as offices of deposit."—Crawford, report to a committee of the House of Representatives, Feb. 24, 1823, *ibid.*, p. 262.

sequently the bank was soon forced to abrogate the custom of receiving the notes of most of the state banks of the interior.[1] Since Secretary Crawford still thought that the treasury could not collect the taxes without accepting these notes, the bank's action threw the public funds into some confusion, which was much increased in the fall of 1818, when the bank, out of regard for its own safety, refused to receive as specie the issues of all the western state banks, though it accepted them as special deposits.[2] This measure was supplemented in October, 1819, by an order prohibiting the western branches from making any further note issues.[3] As a result the usefulness of the bank to the treasury was much impaired, the government being compelled to receive larger quantities than ever of the paper of state banks in payment of government dues in the West and South.[4]

In 1820 another arrangement was made, by which the bank was to receive the notes of certain specified state banks in payment of government dues. The notes of the western banks in the immediate neighborhood of the branches receiving the public moneys were among the number, but were taken only on condition that if not redeemable on presentation the government should be responsible for their

[1] "With these facts in view, we should be extremely culpable to involve the credit and responsibility of this institution with the obligations of banks in remote parts of the country, of whose capacity, credit, and good disposition we have no certain knowledge. The public interest may impose upon the Government the necessity of facilitating the collection of the revenue by receiving the paper of such banks, ... but until it shall be converted into lawful money, or funds of equal value, the Bank of the United States cannot assume it as cash."—Jones to Crawford, May 29, 1818, *ibid.*, p. 846.

[2] "This state of collision and irritation continued increasing until the autumn of 1818, when the bank notified the Department that it could no longer execute its arrangement without sacrificing the essential interests of the institution; at the same time it declared its determination to receive from the land offices nothing but its own notes and the current coin of the Union, except as special deposit."—Crawford to a committee of the House, Feb. 24, 1823, *ibid.*, p. 262.

[3] Resolutions of Sept. 25, 1819, sec. 14, *ibid.*, p. 908.

[4] Crawford to a committee of the House, Feb. 24, 1823, *ibid.*, pp. 262, 263.

payment.[1] This arrangement existed until the removal of the deposits.[2] The receivers deposited the notes in the Bank of the United States, and these were credited by the bank to the government as cash, making them immediately available for government use.[3]

The bank had also materially assisted the government in the collection of what were known as "special deposits." These were deposits of state-bank notes which were not immediately convertible into specie, because the bank issuing them either had ceased to pay specie, or was so distant from the place at which the notes had been received that they could not be conveniently presented for redemption. Such notes could not be used as cash, though their eventual payment was expected. When the bank began operations, a large quantity of "special deposits" was credited to the government at the various state banks throughout the Union, and the directors made arrangements with the United States to collect these and convert them into cash for the government by presenting them to the institutions which had issued them.[4] The task was a difficult and thankless one. Every insecure little bank attempted to pass off its notes as cash, while banks which held government funds which had been entered as cash to the credit of the government years before,

[1] "I am instructed to say that the bank agrees to your proposition concerning the receipt of 'western notes,' on condition, however, that if not paid on presentment, they shall be charged to the Treasury."—Cheves to Crawford, July 28, 1820. *F.*, Vol. IV, p. 939. Crawford accepted this condition.—July 31, *ibid.*, p. 671.

[2] Thus Secretary Rush in 1826 and in 1827 issued instructions to the receivers at the land offices designating the state-bank paper which might be received in payments to government.—Circular of Feb. 22, 1826, *S. D.* 193, 20th Cong., 1st Sess., pp. 57-9. This lasted until Jan. 1, 1828, when it was changed by prohibiting the receipt of "the notes of any local or State bank not established or existing in the State or Territory where the Land Office is situated."—Supplementary instruction of Aug. 22, 1827, by Secretary Rush, *ibid.*, pp. 59, 60.

[3] "It receives the paper of the State banks paid on public account in the interior, as well as elsewhere, and by placing it to the credit of the United States as cash, renders it available wherever the public service may require."—Rush's report, Dec. 9, 1828, *S. D.* 7, 20th Cong., 2d Sess., p. 10.

[4] See the arrangement finally made.—Jones to Crawford, Feb. 28, 1817, *F.*, Vol. IV, p. 773.

now tried to have them taken off their hands as "special deposits."[1] In the face of these obstacles, the bank managed to collect between April 11, 1817, and December 4, 1818, the sum of $3,278,710.98.[2] It then abandoned the task[3] because of the trouble and annoyance caused by the attempt to collect and the bitter feeling aroused among the state banks.[4] The bank lost a considerable sum as a result of its labors.[5]

The receipt of state-bank paper on government account was only one part of a general plan to simplify the operations of the treasury through the instrumentality of the Bank of the United States. This plan included, in addition, a close relation with a number of state banks selected by the bank to act as agents of the government in keeping the public deposits and performing the duties of commissioners of loans and pension agents in those states where the bank had no branches. By October 31, 1817, thirty-four state banks had been selected for this purpose.[6] The accounts of the public money in these were kept with the bank instead of with the treasury, as had been the custom previously,[7] thus materially simplifying the accounts of the

1 "Even the acknowledged cash deposit at the Bank of Chambersburg is now attempted to be passed as a special deposit."—Jones to Crawford, March 12, 1817, *ibid.*, p. 776.

2 The amounts of the "special deposits" to the credit of the treasury of the United States were as follows: in Jan., 1817, $3,031,459.36; by July 1, $3,072,652.89; Jan. 1, 1818, $1,991,818.88; Jan. 1, 1819, $666,959.24; on July 1, $803,976.59; Jan. 1, 1820, the amount was $679,778.04; on Jan. 1, 1821, $548,663.23; Jan. 1, 1822, $564,962.92; and on Jan. 1, 1823, it was $333,504.66.—*Ibid.*, pp. 303–21 and pp. 353, 354. As a result of accepting the notes of southern and western banks in payments to government the "special deposit" account was increased after 1817 by $635,304.60.—*Ibid.*, p. 352.

3 "I have instructed the Treasurer to transfer by drafts to the Bank of Columbia the amount of *special deposit* returned by the Bank of the United States to his credit on the 23d ultimo, being $468,588,37."—Crawford to Smith, Dec. 4, 1818, *ibid.*, p. 600.

4 See evidence of difficulties, *ibid.*, pp. 855–7.

5 "The loss sustained by the bank I cannot estimate. I should willingly compromise for a loss of only $200,000."—Biddle to Senate Finance Committee, *S. D.* 50, 22d Cong., 1st Sess., p. 25.

6 Jones to Crawford, Oct. 25, 1817, *F.*, Vol. IV, p. 820; and same to same, Oct. 31, 1817, *ibid.*, p. 821.

7 "Pursuant to arrangements made with the Bank of the United States, the weekly returns of the money deposited in the several offices and State banks

department and saving it much expense.[1] The bank transmitted weekly statements to the secretary and to the treasurer of the sums received by it, as did also its branches and the state banks which acted as its agents, specifying the sources from which the payments came.[2] In this way the treasury officials knew precisely what dues were paid, on what account they were paid, at what places they were paid, and at what places they were available. They were also furnished with a means of checking the accounts of the collectors and receivers, for these officers in turn were obliged to forward to the treasury accounts of the moneys they had paid in, which had to agree with the returns made by the bank.[3] Under this system there was little opportunity for fraud on the part of individuals, and after the funds had passed into the possession of the bank, it was liable for their safety to the extent of its entire capital.

employed for that purpose to the credit of the Treasurer of the United States, which have heretofore been made to this Department, are to be made hereafter to the Cashier of that bank."—Crawford's circular to the deposit banks, April 29, 1817, *S. D.* 50, 22d Cong., 1st Sess., p. 521.

[1] See the plan suggested by Jones.—Jones to Crawford, April 17, 1818, *ibid.*, p. 782. Accepted with modifications by Crawford, April 22, 1817.—*Ibid.*, p. 519.

[2] "Weekly returns to this office and to the Treasurer of the United States will, therefore, be required from the Bank of the United States, and from the branch banks, of the amount of the public money paid to them, respectively, by the Collectors, showing the aggregate amount at the time of each successive statement. . . . . The payments made to the bank should be distinguished under three heads, viz: customs, internal revenue, and direct tax."—Crawford to Jones, Jan. 16, 1817, *ibid.*, pp. 496, 497.

"Every receipt given for public money must show the branch of revenue from which it has accrued, ... The weekly statement made to the Bank of the United States must strictly correspond with those receipts."—Crawford's circular to the deposit banks, April 29, 1817, *ibid.*, pp. 521, 522.

[3] "According to the existing regulations, the Collectors of Customs are required to make weekly statements of the amount of revenue received by them and paid into the banks; weekly returns to this office and to the Treasurer of the United States will, therefore, be required from the Bank of the United States, and from the branch banks, of the amount of the public money paid to them, respectively, by the Collectors, showing the aggregate amount at the time of each successive statement. These statements are necessary as checks upon the returns of the Collectors, and to enable the officer charged with keeping the accounts of the Secretary of the Treasury to correct any errors which may result from irregularities in the returns of the Collectors."—Crawford to Jones, Jan. 16, 1817, *ibid.*, pp. 496, 497.

In accordance with this plan the numerous transactions of the treasury were conducted through the cashier of the Bank of the United States. The revenue came in from customs, direct taxes, land sales, the post-offices, the marshals of the United States courts, and a number of miscellaneous sources. These funds, paid in at ten thousand different places throughout the country, were all deposited by the officials receiving them in some branch or state bank to the order of the cashier, who gave credit for them to the treasurer of the United States, who then drew upon the bank for whatever sums he wanted and at whatever points he wanted them. The advantage of such an arrangement is apparent. The government got complete control of all its funds at once, and it could command their services immediately wherever needed. The treasurer simply drew drafts upon the cashier of the bank, designating the office or state bank at which payment was required, and sent the drafts to the offices where the money was to be paid, abstracts of these drafts being forwarded every week to the bank, which then placed the sum on its books to the debit of the United States.[1]

It was very soon discovered, however, that the agent state banks abused their privileges as government depositories to

[1] "1st. The transactions of the Treasury shall be conducted through the Cashier of the Bank of the United States.

"2d. All public money deposited in any of the offices or banks employed in lieu of offices shall be entered to the credit of the Bank of the United States for the use of the Treasurer of the United States.

"3d. Corresponding credits shall be given to the Treasurer upon the books of the Bank of the United States, according to the weekly statement of every such office or bank rendered to the said bank. . . . .

"4th. All drafts of the Treasurer shall be drawn upon the Cashier of the Bank of the United States, designating the office or bank at which payment shall be required. The drafts, however, will not be sent to the Cashier of the United States Bank, but weekly abstracts of all warrants drawn by the Treasurer upon the several offices and State banks will be transmitted to the Cashier of the Bank of the United States. And all drafts paid by the offices and State banks shall be returned, through the mother bank, to the Treasury."—Crawford to Jones, April 22, 1817, *ibid.*, pp. 519, 520.

"The Bonds as they are collected, go immediately to the Collector, who about once a week, in the large cities, after receiving the money for debentures, transfers his funds to the credit of the Treasurer of the United States."—Biddle to N. Silsbee, Dec. 28, 1833, *P. L. B.*, Vol. V, p. 62.

secure profits at the expense of the Bank of the United States.[1] While doing this they never ceased complaining of the alleged unjust acts and oppressions of the national bank.[2] Consequently, there were endless irritation and constant collisions between them and the Bank of the United States, and the irritation was heightened by the necessity the bank was under of transforming into specie the western and southern state-bank notes received on public account.[3] Finally, the directors were astounded by discovering that Secretary Crawford considered the institution legally responsible for the safety of the government deposits in the agent state banks.[4] The bank could not, with any regard to its own safety, continue to incur such responsibility. It therefore relinquished all control over state banks holding deposits and demanded that a new arrangement should be made.[5]

Accordingly, on the 30th of June, 1818, this part of the plan of simplifying the operations of the treasury came to an end. The state banks holding government funds were made directly responsible to the secretary, and the moneys

1 Jones to Crawford, March 12, 1817, *F.*, Vol. IV, p. 776.

2 Crawford speaks of "the complaints of the State banks employed as offices of deposit that the Bank of the United States acted oppressively and capriciously towards them, by subjecting them to all the inconveniences incident to the relation they held, and depriving them of most of the advantages which they had a right to expect from that relation."—*Ibid.*, p. 262.

3 Crawford says: "As the transfers of the public money are made by the Bank of the United States, the excitement produced by the demand for specie, or funds that can be remitted, consequent upon such transfers, has been directed against that institution. All the evils which the community, in particular parts of the country, has suffered from the sudden decrease of the currency, as well as from its depreciation, have been ascribed to the Bank of the United States, which, in transferring the public funds, has been a passive agent in the hands of the Government." —Report to the House, Feb. 12, 1820, *ibid.*, Vol. III, p. 508.

4 "The banks have been selected by the Bank of the United States, and the correspondence between that institution and this Department shows that the bank considers itself responsible for the money deposited in the State banks selected for that purpose."—Crawford to Jones, June 3, 1818, *ibid.*, Vol. IV, p. 584; same to same, June 30, 1818, *ibid.*, p. 587.

5 The bank "hereby expressly relinquishing all control over the State banks employed as banks of deposit and the public money which may be deposited in them hereafter."—Jones to Crawford, June 23, 1818, *ibid.*, p. 853.

held by them were made subject to the drafts of the treasurer, and not to those of the cashier of the Bank of the United States.[1] The government kept up this connection with the state banks all through the existence of the bank, but it was excessively annoying, and the Treasury Department would have been glad to discontinue it. Secretary Rush, in 1826, complained of the inability of the state banks to perform satisfactorily the duties assumed by them, and desired that all the government deposits should be intrusted to the keeping of the Bank of the United States.[2] At this time the number of state banks employed as depositaries was small, and Rush thought that if the bank would establish branches in Maine, Alabama, Michigan, and Missouri, all the public treasure could be placed in its charge.[3] Later the bank did establish branches at Portland, Mobile, Natchez, Buffalo, and St. Louis, largely for the convenience of the treasury, and at that department's solicitation. But the needs of the treasury constantly increased, and the necessity of using local banks in states where the Bank of the United States had no branch was always present. Consequently, when the

1 "The arrangement by which the public money deposited in the State banks as offices of deposit was subject to the drafts of the Cashier of the Bank of the United States, by agreement, expired on the 30th ultimo. All sums deposited in such banks subsequent to that time may be entered, as heretofore, to the credit of the Bank of the United States, for the use of the United States, and shall be drawn, from time to time, by the Treasury drafts."—Crawford to selected state banks, July 1, 1819, *ibid.*, p. 588.

2 "From the want of punctuality that has been manifested by some of the State banks, in regard to their engagements with the Treasury, and from the risks to which they have been found to be generally subject, it seems as if it would be ultimately necessary to dispense altogether with the agency of those institutions; indeed the chief difficulty that presents itself to the immediate adoption of this course, would be removed, if there were offices of the Bank of the United States at those points at which the public deposites in different quarters might, without too great inconvenience, be concentrated."—Secretary Rush to Biddle, Jan. 26, 1826, *S. D.* 17, 23d Cong., 2d Sess., p. 254.

3 "It is believed that the establishment of these three offices [at Detroit, Mobile, and St. Louis] and one in Maine, which the bank is understood to have long had in view, would remove the necessity of employing any other than the Bank of the United States and its offices as depositaries of the public moneys throughout the United States."—*Ibid.*, p. 255.

deposits were removed in October, 1833, there were still thirteen state banks which held funds and made payments for the government.[1]

The arrangement entered into in 1817 for making transfers of government funds soon became embarrassing to the bank, because the treasury was accustomed to call for the funds whenever it wished them, regardless of the places in which they were. Transfers having to be made over vast distances, across a country where the means of transportation were so wretched that it took six weeks to travel from Philadelphia to New Orleans, it was absolutely impossible for the bank to meet the demand of the treasury without being allowed time to make the transfers. Cashier Smith complained that the government drew for large sums without giving previous notice to the institution, and that it was beyond the bank's power to meet these demands.[2] Crawford replied that the treasury kept its accounts, not with the branches or the agent banks, but with the Bank of the United States alone, which therefore must be ready to pay the public funds at the points designated by the treasurer, no matter where the funds were collected and deposited.[3] The

[1] Report of Secretary Woodbury, Dec. 12, 1834, *S. D.* 13, 23d Cong., 2d Sess., p. 45. The annoyance caused the government by this arrangement was considerable, for it resulted not only in poorer service, but also in actual loss. From 1817–34, inclusive, $1,764,235.05 became unavailable by the failure of deposit state banks, and in 1834 $920,260.16 were still due.—*Ibid.*, p. 50.

[2] "There is not a sum sufficient to the credit of the Treasurer in this bank to meet his draft this day received for eleven millions of dollars. It was expected that when the interests of the public required an accumulated sum at any one point drafts would have been drawn in favor of the Bank of the United States on the Cashier, payable at such offices, or banks employed in lieu of offices, from whence the money was intended to be drawn, which would have enabled this bank to have placed the money at the point desired."—Smith to Treasurer Tucker, Aug. 13, 1817, *F.*, Vol. IV, pp. 813, 814.

[3] "The Treasurer keeps no account with the offices and State banks employed in that character by the United States Bank. . . . . The drafts of the Treasurer, since the first embarrassments by which the United States Bank was enveloped have passed away, are made payable wherever the public interest requires, without reference to the existence of public funds at such place, as the bank is by charter bound to transmit the public funds whenever the Government requires them."—Crawford to Smith, Sept. 25, 1817, *ibid.*, p. 550.

drafts of the government became still more embarrassing during the panic of 1818–19.

In October, 1819, therefore, Cheves transmitted to Crawford the draft of a new arrangement to date from November 1 of that year. The time to be allowed for transferring funds was as follows: from and to New Orleans, no matter what the other office, four months; from the West to the Atlantic cities, and *vice versa*, four months; from offices south of Washington to those north, and *vice versa*, sixty days; and from offices south of Washington to offices south of that city, or from offices north of it to offices north, thirty days.[1] Nor was the treasury to draw on an office unless it had funds deposited there. A change was also made at this time in the mode of keeping the accounts of the treasury with the bank. Henceforth the department was to keep separate accounts with the individual offices, instead of a single account with the parent office.[2] These modifications were accepted by Craw-

[1] "1. That . . . . the bank shall pay, at the places of receipt, without reference to the notes received, (whether of the offices receiving, or others,) except in relation to debentures.

"2. That the Treasury, when it desires to use its funds otherwise than where they may be deposited, shall direct the bank to transfer to the specific offices where it shall want its funds, from the specific office where they may be deposited, and that the bank shall be bound to effect these transfers within periods to be agreed upon, ... that for the present, ... the following periods be established:

"1. From the western offices to the Atlantic offices, respectively, and *vice versa*, four months.

"2. From and to New Orleans, in all cases, four months.

"3. From the offices south to the offices north of Washington, and *vice versa*, sixty days.

"4. From offices north of Washington to offices north of Washington, thirty days.

"5. From offices south of Washington to offices south of Washington, thirty days.

"3. That the Government (unless in circumstances which shall be the subject of special arrangement) shall only draw on offices to the amount of its funds in those offices, respectively, except the office at Washington, where it shall draw at pleasure, as heretofore.

"5. When, under special understanding, the Government shall draw on the bank or an office not having funds to meet the draft, it shall simultaneously grant a draft in favor of the bank or the office on the bank or such office where it shall have funds as the bank shall designate, to cover such drafts."—Resolutions of Sept. 25, 1819, sec. 16, *ibid.*, p. 909.

[2] "At present there is no account between the Treasury and the offices, except the office at Washington. The bank at Philadelphia has credit with the offices for

ford.[1] The treasury thereafter gave notice of the transfers that would be needed by transmitting to the bank a weekly list of the drafts drawn, and from June 26, 1829, a daily list of the warrants issued,[2] stating the sums which would be needed by the government, the places at which they would be needed, and the times when they were to be paid. The bank was thus always prepared to make payments when they were called for, and thenceforth the monetary affairs of the government were managed without inconvenience either to the bank or to the treasury.

The specific acts which the bank had to perform as a treasury agent were the following: (1) it received and kept the funds of the government, from whatever source derived; (2) it transferred the money of the nation from any part of the nation to any other part; (3) it made disbursements from the government funds to the holders of the public debt; and similarly (4) it paid almost all the pensioners of the government. All this it did without compensation.

The first inquiry which naturally arises is whether or not the bank was a perfectly safe depositary. To this inquiry only one answer was ever given, and that an affirmative one. Secretary Woodbury, a bitter opponent of the bank, in his report of February 11, 1841, admitted that the government had not lost a single dollar through the agency of the Bank of the United States, while losses from state banks, counting principal and interest, were $15,492,000.[3] The explanation of the bank's safety as a public depositary is simple. It was responsible for the government funds to the extent of its

the use of the Treasury, and is debtor to the Treasury for the aggregate amount; this mode of keeping the account is rather a fiction than a reality. The offices are really debtor, and have the means of paying, and with them, respectively, the accounts ought to be kept."—*Ibid.*

[1] Crawford to Cheves, Oct. 8, 1818, *F.*, Vol. IV, p. 644.

[2] Jaudon to Campbell, Nov. 5, 1833, *H. R.* 313, 23d Cong., 1st Sess., p. 24; and Nov. 15, 1833, *ibid.*, p. 27.

[3] *S. D.* 180, 26th Cong., 2d Sess., p. 4.

entire capital, and it could be reached easily by legal process through the courts of the United States if the need arose. Moreover, the bank was under the strict supervision of the Treasury Department, its affairs being placed before the secretary every week and every month, and that officer being empowered to make a special examination whenever he saw fit. Besides all this, either house of Congress could order an investigation at any time. This state of affairs reveals at once the difference in the degree of responsibility between the Bank of the United States and the state banks. Over the latter the government had no control; they were amenable to state laws, and the strictness of these laws varied with the state; there was seldom rigid supervision, and frequently no supervision whatever. Hence the government incurred great risks in employing state banks, no risk whatever in employing the national bank.

Then, as now, most of the revenue was received through the customs-houses. The entire amount collected from customs during the bank's custody of the public funds was over $358,000,000, while the sum of all the government moneys which the bank ever held was about $410,000,000. The sums received from the sale of public lands were next in amount, being $35,700,000 for the whole time that the bank held the public deposits, while the receipts from internal revenue, direct taxes, and miscellaneous sources were meager, being from 1817–33, inclusive, only $11,900,000.[1]

Adherents of the bank were wont to magnify its services in making transfers for the government.[2] Its opponents, on the other hand, belittled the claims, and asserted positively that it possessed no special virtues in this particular. Polk, in his minority report of March, 1833, asserted that the

[1] See the *Report of the Secretary of the Treasury*, 1893, pp. cxxii, cxxiii, for the government receipts during 1817–36.

[2] ADAMS, *Gallatin's Writings*, Vol. III, pp. 328, 329, 345, 346; COLTON, *Works of Clay*, Vol. V, p. 615; *Webster's Works*, Vol. III, pp. 401, 402; Vol. IV, p. 201.

bank rendered no special service in transferring government funds.[1] Secretary Woodbury, in 1834, argued that the transfers were profitable to the bank,[2] and Gouge, in a pamphlet issued in 1837, made an elaborate argument against the bank as a necessary, or even a convenient, treasury agent. He held that its services in this capacity had been grossly overrated; that at those points where the transfers incurred risk or expense the government was compelled to be its own carrier; and that a private merchant occupying a position similar to that of the bank would have made an immense fortune.[3]

In making these criticisms the whole truth was sometimes either not told or else obscured. For instance, Woodbury, while arguing that the bank made few transfers for the government, revealed in a passing sentence that this had been the case only within a few years, and that earlier the advantages to the government had been considerable.[4] Both his opinions and those of Polk were based entirely upon the figures for 1834, which seemed to show that collections and disbursements were principally made at the same points, and hence that few transfers were necessary. Even most of this was mere seeming. Gouge fell into error by accepting these figures and the accompanying argument in Woodbury's report, without noting his admission of the bank's previous usefulness. A list of transfers for 1832 proves that Woodbury's "few years" were not over two, for in that year they were numerous and large.[5]

[1] *H. R.* 121, 22d Cong., 2d Sess., p. 42. [2] *S. D.* 13, 23d Cong., 2d Sess., pp. 10-12, 54-62.

[3] GOUGE, *An Inquiry into the Expediency of Dispensing with Bank Agency . . . . in the Fiscal Concerns of the Country, etc.*, pp. 24, 38.

[4] "The benefits, supposed to have been derived by this department from the United States' Bank, from performing that operation, were, at one time, considerable." This had ceased to be so "for some years past."—Secretary Woodbury's report, Dec. 12, 1834, *S. D.* 13, 23d Cong., 2d Sess., p. 12.

[5] The whole sum was $16,100,000.—*S. D.* 17, 23d Cong., 2d Sess., p. 181. "The average from 1815 to 1827 is 28 millions." The average now is from twenty to twenty-five millions.—Biddle to Gallatin, Sept. 9, 1830, *P. L. B.*, Vol. III, p. 344.

Yet, even admitting that Woodbury and the others were absolutely accurate in their statements, and that the bank made a profit on the transfers, still the conclusion that the transfer of the funds was not a great convenience and saving to the government, would not follow. It was not correct to argue that, because the bank could make the transfers and realize a profit in making them, this could be done by any other institution, or that the government could itself transfer the funds without expense. Neither of these things was so. It will be readily admitted that if the government wished to move its funds without depositing them in some bank, it would have to pay for the transfers, and there would be no compensating advantage. As to the state banks, the national bank possessed at least three very definite advantages over them. Its notes, checks, drafts, and bills of exchange were willingly received everywhere from Montreal to the City of Mexico. A credit so extensive made possible a system of domestic exchange by means of which the funds of the government were transported from place to place, always at a very low rate, and frequently with a profit to the bank.[1] In the third place, all this was made easier and the system of exchange rendered of the highest efficiency by the organization of the bank, with its twenty-five branches scattered through the Union. Not one of these advantages was possessed by a state bank, and yet the resulting efficiency and the consequent profit on the exchanges could be attained by no other means.

The sum saved to the government on transfers may be calculated with some approximation to the truth. The bank charged on an average $\frac{1}{4}$ of 1 per cent. for making transfers

[1] "The transfer of the money of the United States by the Treasury, from one part to another, would be attended with great risk and some expense. . . . . The bank is bound to draw the money of the United States from any one part of the Union to any other, without any allowance for loss of exchange. This, it is presumed, is a considerable saving to the United States in the exchange, and a security against the risk of transport and fraudulent agents. . . . . The exchange almost always is in

for private individuals. The transfers for the treasury from 1815 to 1827, inclusive, averaged $28,000,000 a year, and at $\frac{1}{4}$ of 1 per cent. the sum saved yearly would be $60,186.56.[1] For the seventeen years that the bank was the public depositary this would give a saving of $1,023,161.52, and this amount is probably not excessive.

When the disbursements are examined they are found to fall under several heads: There were payments made on account of the public debt, principal and interest; of pensions; of the army and navy; and of the civil list. The bank incurred no great expense in making any of the disbursements, except those in connection with the public debt and pensions.[2] An inquisition into the disbursements on account of all other subjects is, therefore, unnecessary. In respect to the public debt and pensions, the bank not only acted as disburser for the government, but, in accordance with the terms of the charter, had imposed upon it the duties of commissioners of loans and pension agents.[3]

During the period of the bank's possession of the government deposits the sum paid in discharge of pensions was $34,424,000. Not all of this was disbursed by the bank, since in states where it had neither a branch nor an agency the payments were made through private agents. These exceptions were unimportant,[4] however, and the con-

favor of New Orleans: The difference of exchange is believed to be from 2 to 4, and sometimes 5 per cent. which is a saving to the United States; not a positive loss to the bank, because it may, and probably does save itself by the purchase of bills of exchange on Europe, which it can sell in the Atlantic States, without loss; an operation which would be very difficult and expensive (and perhaps dangerous, from bad agents) for the Treasury to perform."—Report of the Finance Committee of the Senate, May 13, 1828, *S. D.* 195, 20th Cong., 1st Sess., p. 3.

[1] Biddle to Gallatin, Sept. 9, 1830, *P. L. B.*, Vol. III, p. 344.

[2] Thus from 1817 to 1835, inclusive, out of a total expenditure of $481,983,000, the amount devoted to the payment of the public debt and pensions was $243,744,000, or more than one-half.

[3] *Statutes at Large*, Vol. III, pp. 360, 361, chap. xxxviii.

[4] Thus in 1826 the amount expended on pensions was $1,556,000, out of which the bank disbursed $1,003,514.50; in 1827 the whole amount was $976,000, out of which the bank disbursed $926,343.70. See *Report of the Secretary of the Treasury* for expendi-

jecture that the bank disbursed $30,000,000 out of the total will not be far astray. The sum saved to the government may be calculated on the basis of 2 per cent., that being the commission allowed to individual pension agents.[1] The whole amount saved would be, therefore, $600,000.[2]

The sums paid on account of the public debt were large, aggregating $212,202,000 from 1817 to 1835, inclusive. The expenses of disbursing at least $200,000,000 of this total fell upon the bank. These expenses to the government before the establishment of the bank had ranged from $26,000 to $31,000 a year, while after its establishment they were reduced to a trifle over $2,000.[3] It may be concluded, therefore, that the bank saved the government from $500,000 to $600,000 on this item.[4] Adding this to the saving on the pension payments and that on the transfers, the total is at least $2,120,000.

Not only did the bank save the nation large sums by acting as paymaster of pensions and the public debt, but it assumed the risks which the government would otherwise have been compelled to incur. It occasionally suffered losses as a result. Thus the president at Portsmouth defrauded the government of $20,000, taking the sum from the pension funds, and the bank was obliged to replace it.[5] In 1828 the

tures of the government, 1893, pp. cxxvi, cxxvii; for bank's disbursements, Appendix B, report of the Senate Finance Committee, May 13, 1828, *S. D.* 195, 20th Cong., 1st Sess., p. 7.

[1] "The rate of commissions allowed for paying pensions, where any are allowed to agents or institutions other than the Bank of the United States and its branches, is 2 per cent."—*Ibid.*

[2] "At this rate [*i. e.*, 2 per cent.] the annual amount of commissions would be as follows: 1825, $21,143.20; 1826, $20,070.29; 1827, $18,526.87."—*Ibid.* The sums paid in pensions during these years were less than the annual average.

[3] 1814, $26,578.01; 1815, $31,584.51; 1816, $31,345.21; 1817, $30,675.80; 1818, $2,042,30.—Appendix C, *ibid.*, p. 8. See the *Report of the Secretary of the Treasury*, 1893, pp. cxxvi, cxxvii, for the expenditures of the government from 1817 to 1837.

[4] In February, 1829, President Biddle declared that the sum saved the government by the bank was $50,000 annually on payment of pensions and public debt. This would make the total saving about $900,000.—*S. D.* 92, 20th Cong., 2d Sess., p. 6.

[5] "The office at Portsmouth had originally the misfortune to have at its head a Mr. Cutts, who ended by defrauding the United States of upwards of $20,000 of the pension fund, which the bank was obliged to replace."—Biddle to Ingham, July 18, 1829, *H. R.* 460, 22d Cong., 1st Sess., p. 442.

institution lost $3,000 by a fraud committed on it in payment of part of the funded debt; in 1829 it was being sued for $5,000 which had been lost through the failure of its agents.[1] Biddle mentions a case in which the bank suffered by paying out pension moneys without having complied with all the formalities of the Treasury Department,[2] and after the expiration of the charter the bank was sued for $24,907, which had been retained by presidents at the branches.[3] The duties of commissioners of loans were evidently hazardous, and that they were onerous is known from the objections made by the state banks to performing them.[4]

When the charter was framed there was a general expectation that the bank would enhance the credit of the state by absorbing into its capital much of the public stock. The government, moreover, was given the further advantage of redeeming this stock at any time at its valuation when subscribed, no matter what the market quotations. The expectations were realized. Almost three-fifths of the bank's capital subscribed by individuals was in stock, to which was added the government's subscription of $7,000,000 at 5 per cent. Thus $22,386,000 out of a total of $35,000,000 consisted of government securities, and almost one-fifth of the entire public debt was absorbed into the bank's capital.[5]

1 "The bank lost $3,000 by a fraud committed on it the last year, in paying the debt, or interest thereon, and are prosecuted for another to the amount of $5,000. The parties who had fraudulently received the money, have failed, and the loss is to the bank, which would have been to the Government, if the Commissioners of Loans, (as formerly) had transacted that service."—*S. D.* 92, 20th Cong., 2d Sess., p. 6, Feb. 20, 1829.

2 Biddle to Cass, Jan. 23, 1834, *S. D.* 71, 23d Cong., 1st Sess., p. 15,

3 $24,907.25 had been retained by the presidents of the branches at New York, Richmond, and Cincinnati, to reimburse them for duties performed as pension agents. Both the bank and these officers were sued.—Report of Secretary Ewing, June 14, 1841, *S. D.* 22, 27th Cong., 1st Sess., pp. 2, 3.

4 President Fleming, Mechanics' Bank, New York city, to War Department, Jan. 27, 1834, *S. D.* 71, 23d Cong., 1st Sess., pp. 37, 38; and President Schott, Girard Bank, Philadelphia, Jan. 22, 1834, *ibid.*, p. 39.

5 The whole nominal debt on Jan. 1, 1816, was $127,334,933, and on Jan. 1, 1817, $123,491,965. The bank held $22,386,964.93. For the figures in regard to the bank's subscriptions see *F.*, Vol. III, p. 269.

This stock rapidly appreciated, and hereupon the government took advantage of its right to purchase the stock at the subscription price, and in 1817 redeemed almost all held by the bank, excepting its own stock paid for bank shares.[1] The gain to the government cannot be calculated, but it was considerable.[2]

The government enjoyed the further advantage of being able through the bank to procure loans at the best possible terms. A loan of $2,000,000 at 6 per cent. was made in 1820;[3] another of $4,000,000 at 5 per cent. in 1821;[4] a third of $5,000,000 at 4½ per cent. in 1824;[5] and a fourth of $5,000,000 at 4½ per cent. in 1825.[6] The bank's greatest usefulness in this direction was never proved, since its existence was passed entirely in time of peace. A war would have thoroughly tested its efficiency, and it is probably one of the misfortunes of this country that no Bank of the United States existed at the outbreak of the Civil War.

In addition to securing long loans, the government was always certain of being accommodated temporarily by the bank. The first corporate act of the Bank of the United States was a loan of $500,000 to the government to pay running expenses.[7] In the first quarter of 1831 the treasury account was overdrawn $1,044,539, and in the fourth quarter of 1824, $518,-910.[8] In 1832 President Biddle loaned the secretary of war $39,000 without charging interest. These were matters of

[1] Crawford to Jones, May 8, 1817, *F.*, Vol. IV, pp. 525, 526. The government redeemed $20,886,000 of the public debt in 1817. Of this amount over $13,000,000 were purchased from the Bank of the United States.—*Ibid.*, Vol. III, p. 228.

[2] Biddle gave as an instance the 3 per cents. Of these there were subscribed to the bank's capital $1,556,156.04 at 65 on the 100, worth at par $2,934,086.23. The government got this at 65, though it paid dollar for dollar on the rest of the 3 per cents. Profit, $1,397,930.19.—To L. Williams, Feb. 12, 1833, *P. L. B.*, Vol. V, pp. 320, 321.

[3] NILES, Vol. XVIII, p. 314; Crawford to Cheves, June 22, 1820, *F.*, Vol. IV, p. 665.

[4] Cashier Wilson to Crawford, April 11, 1821, *ibid.*, p. 952.

[5] *Ibid.*, Vol. V, p. 180.

[6] *H. R.* 460, 22d Cong., 1st Sess., p. 335.

[7] Smith to Crawford, Jan. 4, 1817, *F.*, Vol. IV, p. 764.

[8] Report of the treasurer, Jan. 12, 1829, *S. D.* 44, 20th Cong., 2d Sess., p. 2.

no great moment, but they show how convenient the bank was to the government.

The country as a whole derived direct pecuniary advantages from the bank. It is well known that under the present system large payments on account of the public debt are apt to embarrass commerce by throwing on the community immense sums of money for which there is no demand, while at other times the treasury has locked up in its vaults enormous sums which ought to be in circulation. Inevitable and severe disturbances in trade result. During the existence of the Bank of the United States these disturbances were, for the most part, avoided. The government never had its surplus funds locked up, because the bank employed them in making loans. The bank also avoided the embarrassments occasioned by throwing on the market at a single instant huge quantities of money in payment of the public debt, by making the payments gradually. In the same way it avoided the pressure consequent upon a sudden large demand upon the money market for funds to be used in paying the debt. It was the frequent boast of President Biddle that these evils always were averted by the bank's good management, and the secretaries of the treasury at that day admitted that this was so.[1] The bank early received notification of the debt to be

[1] See the subject treated at length in Secretary Rush's report, Dec. 9, 1828, *S. D.* 7, 20th Cong., 2d Sess., pp. 10, 11.

"To prepare for this payment by accumulating funds, would require that the Bank should curtail its discounts, which would oblige the State Banks to do the same thing, so that a scarcity of money would be produced, perhaps an extreme pressure, until the first day of July, when an immense amount of money would be thrown into the market to seek investment, causing as sudden a rise in the funds as there had been a previous depression. To avoid these fluctuations the Bank has said to the fund holders instead of waiting for the last moment, when there will be a great press for investment, look about you and wherever you find an object of investment, bring your stock to the Bank; and although the Bank cannot purchase the stock, it will lend the amount on your note payable on the 1st of July, secured collaterally by a pledge of the certificate, and it will lend it to you at 5 per cent., as it only in fact cashing the drafts of the Government on the Bank.

"This is a great facility to the fund holders, and they availed themselves of it to a considerable extent, so that on the 1st of July, the several Branches were discounting on the stock, which was thus melting away, till on the day of payment, the

discharged, and at once began discounting on the stocks to be paid off, holding them until the time of redemption came. In this way the holders got a bank discount for their stock, one loan replacing another. Hence, when the government ordered the payment to be made, the bank had already procured most of the stock. There was then merely a change of credits on the books of the bank, the government getting the stock, and the bank getting ownership of a part of the public deposits which before were in its possession. It is true, however, that these gradual payments were not always possible.

The objection is sometimes urged that if the government funds were intrusted to banks, difficulty might be found in securing them promptly when they were wanted. This objection is valid, and necessarily must be where banks are permitted to use the funds of the government with no stipulation in favor of holding certain sums subject to order. The difficulty would almost certainly occur in times of crises, and it did occur in the case of the Bank of the United States. Thus, as a consequence of the panic of 1819, the bank was forced to ask the government to postpone the payment of the Louisiana stock to the amount of $2,000,000, the bank paying the interest on the sum.[1] The case of the 3 per cents. in 1832 was of a similar character. It may be concluded, then, that there was inconvenience to the government occasionally under the Bank of the United States, but such inconveni-

Bank was relieved from the heaviest pressure, and was enabled to continue its accommodations to the community undiminished up to the very day of payment. This is one of the most beautiful of our operations, enabling the Bank to go over a pay day of six or seven millions of dollars without the slightest change in its daily business or the least shock to the business of the country."—Biddle to F. Hopkinson, Nov. 2, 1830, *P. L. B.*, Vol. III, pp. 378, 379.

"It has thus become part of the settled policy of the bank, at the approach of any large payment, to begin its preparations for a long period in advance, so as to collect its means gradually, and to distribute its disbursements over as wide a space as possible."—Report of the Committee of Exchange, *H. R.* 121, 22d Cong., 2d Sess., p. 161.

[1] Crawford to Gallatin, April 26, 1819, ADAMS, *Gallatin's Writings*, Vol. II, p. 98.

ences were as near a minimum as could justly be expected. There is no system which will completely meet the case.

The direct profit which accrued to the United States through the connection with the bank consisted of the bonus of $1,500,000, then of the excess of dividends from the bank's profits over the interest paid on the government's stock note, and, thirdly, of the advance in the price of this stock when the bank settled with the government. The total of these sums was $6,093,167.07.[1] To this must be added at least $2,100,-000 more, being the amount saved by the bank's performance of the duties of commissioner of loans and pension agent and its transfers of public funds. The whole profit, therefore, was something like $8,193,000. This is a definite and calculable sum. In the nature of things, the greater benefit was of an intangible kind, but none the less real. An appreciation in the public securities had a money value, even though it could not be measured, and so had the insurance of the public funds which the bank's custody furnished.

The value today of a bank performing the same duties for the government would be far in excess of the value of the old bank. The charges for the large government transfers, the expenses of the independent treasury, of the government agency of the national banking system, of the

[1]

CREDIT	
Bonus	$ 1,500,000.00
Dividends paid by bank	7,118,416.29
Proceeds of stock sold and other moneys paid by the bank to the United States	9,424,750.78
Total	$18,043,167.07
DEBIT	
Five per cent. stock	$ 7,000,000.00
Interest paid on this stock	4,950,000.00
Total	$11,950,000.00
Profit of government	$6,093,167.07

—Report of Comptroller Knox, 1876, p. xiii. See also his *History of Banking in the United States*, p. 79.

greenback issues, of treasury notes, the losses by fire, by theft, by the bad faith of public servants — would all vanish. To the business community and the community at large such a bank would be more valuable still.

The advantages were not all on one side. The Bank of the United States certainly enjoyed an equivalent. But that equivalent cost the country nothing, and the advantages bestowing it could not have been made profitable except as granted to some individual or corporation. What the government received from the bank was pure gain, what it gave to the bank was no loss. The great benefit of the connection to the bank consisted in its right to use the public deposits. The amount of these, as already stated, must have been somewhere near $410,000,000 for the whole time that the bank held them. The bank's profits on this sum can be calculated only by finding a monthly or quarterly average of the amounts in its vaults. Such an average was worked out by Secretary Taney for every month in the year from 1819 to 1833, inclusive, and was given as $6,717,253.[1] It is certainly fair to compute the bank's profits on this sum as 6 per cent. for the whole time that it was the government's depositary. Employing this computation, it is seen that the bank was the gainer to the extent of $403,035.18 each year from 1818 to 1834—a total of $6,448,562.28. From this calculation are omitted the years 1817 and 1834–35. For 1817 accurate figures are not obtainable; for 1834–35 the monthly average of United States funds held was $1,570,000, which sum for two years at 6 per cent. would yield $188,400. The bank's entire profits, therefore, from this item alone can be set down at not less than $6,636,962.28.

As in the case of the government, so in that of the bank, there were enormous advantages which could not be measured in terms of money. The monopoly of national banking

[1] *S. D.* 16, 23d Cong., 1st Sess., pp. 4, 5.

was the principal of these; the partial legal-tender quality of its notes was another; the advantage over the state banks secured by the possession of the government deposits was a third.

Up to the period of the Bank War, the connection between the bank and the government was an immense benefit to both, but particularly to the government. But having stated this conclusion, there is a corollary which is just as inevitable. With the growth of the Union, with the increase of national wealth and of population, the bank would have been progressively useful. From this point of view, it becomes obvious that Jackson and his supporters committed an offense against the nation when they destroyed the bank. The magnitude and enormity of that offense can only be faintly realized, but one is certainly justified in saying that few greater enormities are chargeable to politicians than the destruction of the Bank of the United States. It was the overthrow of a machine capable of incalculable service to this country—a service which can be rendered by no bank not similarly organized. Would it not be better for the nation if it could command that service today? Why should it be almost unanimously admitted that a bank of this type is of paramount importance to the finances and commerce of England, France, Germany, Austria, Russia, and yet denied that a similar bank would be of equal value to the United States? No answer to this question can be found in our political organization, none in the nature of American institutions, none in the history of our country, none in the nature of men as citizens of a republic, none in such a bank's political power; for the bank possessed no political power. In truth, there is no answer.

If, finally, it is necessary to acknowledge, in the words of Daniel Webster, that this form of a bank for the United States is an "obsolete idea," it ought, at least, to be so much

the easier to understand and to admit the services which such an institution once performed at so great a profit to the people; it ought to be easy to give the due meed of praise, and no more than the due measure of blame. When this is done, it will have to be acknowledged that the old bank, in its services to the government, was far superior to any other banking system known in this country.

APPENDICES

APPENDIX I

An Act *to incorporate the subscribers to the Bank of the United States.*

Be it enacted, &c., That a bank of the United States of America shall be established, with a capital of thirty-five millions of dollars, divided into three hundred and fifty thousand shares, of one hundred dollars each share. Seventy thousand shares, amounting to the sum of seven millions of dollars, part of the capital of the said bank, shall be subscribed and paid for by the United States, in the manner hereinafter specified; and two hundred and eighty thousand shares, amounting to the sum of twenty-eight millions of dollars, shall be subscribed and paid for by individuals, companies, or corporations, in the manner hereinafter specified.

[Sec. 2 specifies the times, places, and mode of receiving subscriptions to the capital stock.]

Sec. 3. *And be it further enacted,* That it shall be lawful for any individual, company, corporation, or State, ... to subscribe for any number of shares of the capital of the said bank, not exceeding three thousand shares, and the sums so subscribed shall be payable, and paid, in the manner following: that is to say, seven millions of dollars thereof in gold or silver coin of the United States, or in gold coin of Spain, or the dominions of Spain, ... or in other foreign gold or silver coin . . . . and twenty-one millions of dollars thereof in like gold or silver coin, or in the funded debt of the United States contracted at the time of the subscriptions respectively. [The section then specifies what stocks may be subscribed, and at what rates.] And the payments of the said subscriptions shall be made and completed by the subscribers, respectively, at the times and in the manner following: that is to say, at the time of subscribing there shall be paid five dollars on each share, in gold or silver coin as aforesaid, and twenty-five dollars more in coin as aforesaid, or in funded debt as aforesaid; at the expiration of six calendar months after the time of subscribing, there shall be paid the further sum of ten dollars on each share, in gold or silver coin as aforesaid, and twenty-five dollars more in coin as aforesaid, or in funded debt as aforesaid; at the expiration of twelve calendar months from the time of subscribing, there shall be paid the further sum of ten dollars, on

each share, in gold or silver coin as aforesaid, and twenty-five dollars more in coin as aforesaid, or in funded debt as aforesaid.

[SEC. 4 regulates the manner in which the subscriptions shall be transferred to the "President directors and company of the Bank of the United States," and provides that reasonable compensation shall be paid the "commissioners appointed to superintend the subscriptions."]

SEC. 5. *And be it further enacted,* That it shall be lawful for the United States to pay and redeem the funded debt subscribed to the capital of the said bank, at the rates aforesaid,[1] in such sums and at such times, as shall be deemed expedient, anything in any act or acts of Congress to the contrary thereof notwithstanding. And it shall also be lawful for the president, directors, and company, of the said bank, to sell and transfer for gold and silver coin, or bullion, the funded debt subscribed to the capital of the said bank as aforesaid: *Provided always,* That they shall not sell more thereof than the sum of two millions of dollars in any one year; nor sell any part thereof at any time within the United States, without previously giving notice of their intention to the Secretary of the Treasury, and offering the same to the United States for the period of fifteen days, at least, at the current price, not exceeding the rates aforesaid.

SEC. 6. *And be it further enacted,* That, at the opening of subscription to the capital stock of the said bank, the Secretary of the Treasury shall subscribe, or cause to be subscribed, on behalf of the United States, the said number of seventy thousand shares, amounting to seven millions of dollars as aforesaid, to be paid in gold or silver coin, or in stock of the United States, bearing interest at the rate of five per centum per annum; . . . . and the principal of the said stock shall be redeemable in any sums, and at any periods, which the Government shall deem fit. . . . . which said stock it shall be lawful for the said president, directors, and company, to sell and transfer for gold and silver coin or bullion at their discretion; *Provided,* They shall not sell more than two millions of dollars thereof in any one year.

SEC. 7. *And be it further enacted,* That the subscribers to the said Bank of the United States of America, their successors and assigns, shall be, and are hereby, created a corporation and body politic, by the name and style of "The president, directors, and company, of the Bank of the United States," and shall so continue until the third day of March, in the year one thousand eight hundred and thirty-six, and by that name shall be, and are hereby, made able and capable, in law, to have, purchase, receive, possess, enjoy, and retain, to them and their successors, lands, rents, tenements, hereditaments, goods, chattels, and effects, of whatsoever kind, nature, and quality, to an amount not exceeding, in the whole, fifty-five millions of dollars, including the

[1] The rates at which the stock was subscribed.

amount of the capital stock aforesaid; and the same to sell, grant, demise, alien or dispose of; to sue and be sued, plead and be impleaded, answer and be answered, defend and be defended, in all State courts having competent jurisdiction, and in any circuit court of the United States: and also to make, have, and use, a common seal, and the same to break, alter, and renew, at their pleasure: and also to ordain, establish, and put in execution, such by-laws, and ordinances, and regulations, as they shall deem necessary and convenient for the government of the said corporation, not being contrary to the constitution thereof, or to the laws of the United States; and generally to do and execute all and singular the acts, matters, and things, which to them it shall or may appertain to do; subject, nevertheless, to the rules, regulations, restrictions, limitations, and provisions, hereinafter prescribed and declared.

SEC. 8. *And be it further enacted*, That, for the management of the affairs of the said corporation, there shall be twenty-five directors, five of whom, being stockholders, shall be annually appointed by the President of the United States, by and with the advice and consent of the Senate, not more than three of whom shall be residents of any one State; and twenty of whom shall be annually elected at the banking-house in the city of Philadelphia, on the first Monday of January, in each year, by the qualified stockholders of the capital of the said bank other than the United States, and by a plurality of votes then and there actually given, according to the scale of voting hereinafter to be prescribed: *Provided always*, That no person, being a director in the Bank of the United States, or any of its branches, shall be a director of any other bank; and should any such director act as a director in any other bank, it shall forthwith vacate his appointment in the direction of the Bank of the United States. And the directors, so duly appointed and elected, shall be capable of serving, by virtue of such appointment and choice, from the first Monday in the month of January of each year, until the end and expiration of the first Monday in the month of January of the next year ensuing the time of each annual election to be held by the stockholders as aforesaid. And the board of directors, annually, at the first meeting after their election in each and every year, shall proceed to elect one of the directors to be president of the corporation, who shall hold the said office during the same period for which the directors are appointed and elected as aforesaid: [The section then provides for the election of the first president and directors; and that the corporation shall not be dissolved if an appointment for president or an election for directors does not take] effect on any day when, in pursuance of this act, they ought to take effect, ... but it shall be lawful at any other time to make such appointments, and to hold such elections, (as the case may be,) and the manner of holding

the elections shall be regulated by the by-laws and ordinances of the said corporation: and until such appointments or elections be made, the directors and president of the said bank, for the time being, shall continue in office: [that in case of a vacancy in the presidency, the directors shall "elect another president," and in case of vacancies in the directorate, other directors shall be appointed either by the President of the United States in case of government directors or by the stockholders in case of private directors].

Sec. 9. *And be it further enacted,* That as soon as the sum of eight millions four hundred thousand dollars in gold and silver coin, and in the public debt, shall have been actually received on account of the subscriptions to the capital of the said bank (exclusively of the subscription aforesaid, on the part of the United States) [the first directors shall be elected, and the president of the bank appointed by them].

Sec. 10. *And be it further enacted,* That the directors, for the time being, shall have power to appoint such officers, clerks, and servants, under them, as shall be necessary for executing the business of the said corporation, and to allow them such compensation for their services, respectively, as shall be reasonable; and shall be capable of exercising such other powers and authorities for the well governing and ordering of the officers of the said corporation as shall be prescribed, fixed, and determined, by the laws, regulations, and ordinances, of the same.

Sec. 11. *And be it further enacted,* That the following rules, restrictions, limitations, and provisions, shall form and be fundamental articles of the constitution of the said corporation, to wit:

1. The number of votes to which the stockholders shall be entitled, in voting for directors, shall be according to the number of shares he, she, or they, respectively, shall hold, in the proportions following, that is to say, for one share and not more than two shares, one vote; for every two shares above two, and not exceeding ten, one vote; for every four shares above ten, and not exceeding thirty, one vote; for every six shares above thirty, and not exceeding sixty, one vote; for every eight shares above sixty, and not exceeding one hundred, one vote; and for every ten shares above one hundred, one vote; but no person, copartnership, or body politic, shall be entitled to a greater number than thirty votes; and after the first election, no share or shares shall confer a right of voting, which shall not have been holden three calendar months previous to the day of election. And stockholders actually resident within the United States, and none other, may vote in elections by proxy.

2. Not more than three-fourths of the directors elected by the stockholders, and not more than four-fifths of the directors appointed by the President of the United States, who shall be in office at the time of an annual election, shall be elected or appointed for the next succeeding

year; and no director shall hold his office more than three years out of four in succession; but the director who shall be the president at the time of an election may always be reappointed or re-elected, as the case may be.

3. None but a stockholder, resident citizen of the United States, shall be a director; nor shall a director be entitled to any emolument; but the directors may make such compensation to the president, for his extraordinary attendance at the bank, as shall appear to them reasonable.

4. Not less than seven directors shall constitute a board for the transaction of business, of whom the president shall always be one, except in case of sickness or necessary absence; in which case his place may be supplied by any other director whom he, by writing, under his hand, shall depute for that purpose. And the director so deputed may do and transact all the necessary business, belonging to the office of the president of the said corporation, during the continuance of the sickness or necessary absence of the president.

5. A number of stockholders, not less than sixty, who, together, shall be proprietors of one thousand shares or upwards, shall have power at any time to call a general meeting of the stockholders, for purposes relative to the institution, giving at least ten weeks' notice in two public newspapers of the place where the bank is seated, and specifying in such notice the object or objects of such meeting.

6. Each cashier or treasurer, before he enters upon the duties of his office, shall be required to give bond, with two or more sureties, to the satisfaction of the directors, in a sum not less than fifty thousand dollars, with a condition for his good behavior, and the faithful performance of his duties to the corporation.

7. The lands, tenements, and hereditaments, which it shall be lawful for the said corporation to hold, shall be only such as shall be requisite for its immediate accommodation in relation to the convenient transacting of its business, and such as shall have been *bona fide* mortgaged to it by way of security, or conveyed to it in satisfaction of debts previously contracted in the course of its dealings, or purchased at sales, upon judgments which shall have been obtained for such debts.

8. The total amount of debts which the said corporation shall at any time owe, whether by bond, bill, note, or other contract, over and above the debt or debts due for money deposited in the bank, shall not exceed the sum of thirty-five millions of dollars, unless the contracting of any greater debt shall have been previously authorized by law of the United States. In case of excess, the directors under whose administration it shall happen, shall be liable for the same in their natural and private capacities; and an action of debt may in such case be brought against them, or any of them, their or any of their heirs, execu-

tors or administrators, in any court of record of the United States, or either of them, by any creditor or creditors of the said corporation, and may be prosecuted to judgment and execution, any condition, covenant, or agreement to the contrary notwithstanding. But this provision shall not be construed to exempt the said corporation or the lands, tenements, goods, or chattels of the same from being also liable for, and chargeable with, the said excess. Such of the said directors, who may have been absent when the said excess was contracted or created, or who may have dissented from the resolution or act whereby the same was so contracted or created, may respectively exonerate themselves from being so liable, by forthwith giving notice of the fact, and of their absence or dissent, to the President of the United States, and to the stockholders, at a general meeting, which they shall have power to call for that purpose.

9. The said corporation shall not, directly or indirectly, deal or trade in anything except bills of exchange, gold or silver bullion, or in the sale of goods really or truly pledged for money lent and not redeemed in due time, or goods which shall be the proceeds of its lands. It shall not be at liberty to purchase any public debt whatsoever, nor shall it take more than at the rate of six per centum per annum for or upon its loans or discounts.

10. No loan shall be made by the said corporation, for the use or on account of the Government of the United States, to an amount exceeding five hundred thousand dollars, or of any particular State to an amount exceeding fifty thousand dollars, or of any foreign Prince or State, unless previously authorized by a law of the United States.

11. The stock of the said corporation shall be assignable and transferable, according to such rules as shall be instituted in that behalf, by the laws and ordinances of the same.

12. The bills, obligatory and of credit, under the seal of the said corporation, which shall be made to any person or persons, shall be assignable by endorsement thereupon, under the hand or hands of such person or persons, and his, her, or their executors or administrators, and his, her or their assignee or assignees, and so as absolutely to transfer and vest the property thereof in each and every assignee or assignees successively, and to enable such assignee or assignees, and his, her or their executors or administrators, to maintain an action thereupon in his, her or their own name or names: *Provided*, That said corporation shall not make any bill obligatory, or of credit, or other obligation under its seal for the payment of a sum less than five thousand dollars. And the bills or notes which may be issued by order of the said corporation, signed by the president, and countersigned by the principal cashier or treasurer thereof, promising the payment of money to any person or persons, his, her or their order, or to bearer,

although not under the seal of the said corporation, shall be binding and obligatory upon the same, in like manner, and with like force and effect, as upon any private person or persons, if issued by him, her or them, in his, her or their private or natural capacity or capacities, and shall be assignable and negotiable in like manner as if they were so issued by such private person or persons; that is to say, those which shall be payable to any person or persons, his, her or their order, shall be assignable by endorsement, in like manner, and with the like effect as foreign bills of exchange now are; and those which are payable to bearer shall be assignable and negotiable by delivery only: *Provided*, That all bills or notes, so to be issued by said corporation, shall be made payable on demand, other than bills or notes for the payment of a sum not less than one hundred dollars each, and payable to the order of some person or persons, which bills or notes it shall be lawful for said corporation to make payable at any time not exceeding sixty days from the date thereof.

13. Half-yearly dividends shall be made of so much of the profits of the bank as shall appear to the directors advisable; and once in every three years the directors shall lay before the stockholders, at a general meeting, for their information, an exact and particular statement of the debts which shall have remained unpaid after the expiration of the original credit, for a period of treble the term of that credit, and of the surplus of the profits, if any, after deducting losses and dividends. If there shall be a failure in the payment of any part of any sum subscribed to the capital of the said bank, by any person, copartnership or body politic, the party failing shall lose the benefit of any dividend which may have accrued prior to the time for making such payment, and during the delay of the same.

14. The directors of the said corporation shall establish a competent office of discount and deposit in the District of Columbia, whenever any law of the United States shall require such an establishment; also one such office of discount and deposite in any State in which two thousand shares shall have been subscribed or may be held, whenever, upon application of the Legislature of such State, Congress may, by law, require the same: *Provided*, the directors aforesaid shall not be bound to establish such office before the whole of the capital of the bank shall have been paid up. And it shall be lawful for the directors of the said corporation to establish offices of discount and deposite, wheresoever they shall think fit, within the United States or the Territories thereof, and to commit the management of the said offices, and the business thereof, respectively, to such persons, and under such regulations, as they shall deem proper, not being contrary to law or the constitution of the bank. Or, instead of establishing such offices, it shall be lawful for the directors of the said corporation from time to time, to employ any

other bank or banks, to be first approved by the Secretary of the Treasury, at any place or places that they may deem safe and proper, to manage and transact the business proposed as aforesaid, other than for the purposes of discount, to be managed and transacted by such offices, under such agreements, and subject to such regulations, as they shall deem just and proper. Not more than thirteen, nor less than seven managers or directors, of every office established as aforesaid, shall be annually appointed by the directors of the bank, to serve one year; they shall choose a president from their own number; each of them shall be a citizen of the United States, and a resident of the State, Territory, or district, wherein such office is established; and not more than three-fourths of the said managers or directors, in office at the time of an annual appointment, shall be reappointed for the next succeeding year; and no director shall hold his office more than three years out of four, in succession; but the president may be always reappointed.

15. The officer at the head of the Treasury Department of the United States shall be furnished, from time to time, as often as he may require, not exceeding once a week, with statements of the amount of the capital stock of the said corporation and of the debts due to the same; of the moneys deposited therein; of the notes in circulation, and of the specie in hand; and shall have a right to inspect such general accounts in the books of the bank as shall relate to the said statement: *Provided*, That this shall not be construed to imply a right of inspecting the account of any private individual or individuals with the bank.

16. No stockholder, unless he be a citizen of the United States, shall vote in the choice of directors.

17. No note shall be issued of less amount than five dollars.

SEC. 12. *And be it further enacted*, That if the said corporation, or any person or persons, for or to the use of the same, shall deal or trade in buying or selling goods, wares, merchandise, or commodities whatsoever, contrary to the provisions of this act, [a penalty of treble the amount so dealt in shall be imposed upon the persons responsible].

[SEC. 13 enacts that in case of loans to the United States, in excess of $500,000, or to any state in excess of $50,000, or to "any foreign Prince, or State," without previous authorization by law, a penalty of treble value shall be imposed upon the persons responsible.]

SEC. 14. *And be it further enacted*, That the bills or notes of the said corporation originally made payable, or which shall have become payable on demand, shall be receivable in all payments to the United States, unless otherwise directed by act of Congress.

SEC. 15. *And be it further enacted*, That during the continuance of this act, and whenever required by the Secretary of the Treasury, the said corporation shall give the necessary facilities for transferring the public funds from place to place, within the United States, or the Ter-

ritories thereof, and for distributing the same in payment of the public creditors, without charging commissions or claiming allowance on account of difference in exchange, and shall also do and perform the several and respective duties of the Commissioners of Loans for the several States, or of any one or more of them, whenever required by law.

SEC. 16. *And be it further enacted,* That the deposites of the money of the United States, in places in which the said bank and branches thereof may be established, shall be made in said bank or branches thereof, unless the Secretary of the Treasury shall at any time otherwise order and direct; in which case the Secretary of the Treasury shall immediately lay before Congress, if in session, and if not, immediately after the commencement of the next session, the reasons of such order or direction.

SEC. 17. *And be it further enacted,* That the said corporation shall not at any time suspend or refuse payment in gold or silver, of any of its notes, bills, or obligations; nor of any moneys received upon deposite in said bank, or in any of its offices of discount and deposite. [In case of such suspension or refusal] the holder of any such note, bill, or obligation, or the person or persons entitled to demand and receive such moneys as aforesaid, shall respectively be entitled to receive and recover interest on the said bills, notes, obligations, or moneys, until the same shall be fully paid and satisfied, at the rate of twelve per centum per annum from the time of such demand as aforesaid: *Provided,* That Congress may [hereafter enact laws for carrying out this clause, vesting jurisdiction in such cases in any of the courts of the United States, or of the States].

[SEC. 18 prescribes penalties for counterfeiting "any bill or note . . . . or any order or check" on the bank, or any of its cashiers; or for altering "any bill or note . . . . order or check" upon the bank or any of its cashiers; or for passing, or attempting to pass, such counterfeits or such altered checks or orders; or for selling or dealing in such counterfeits.]

[SEC. 19 prescribes penalties for engraving plates to be used for counterfeiting the "notes or bills" of the bank, or for having in possession "paper adapted to the making of bank notes or bills," similar to the paper used by the bank, with intent to use such paper for counterfeiting.]

SEC. 20. *And be it further enacted,* That in consideration of the exclusive privileges and benefits conferred by this act upon the said bank, the president, directors, and company thereof, shall pay to the United States, [$1,500,000].

[SEC. 21 enacts that no other bank, excepting local banks in the District of Columbia, shall be created by Congress "during the continuance of the corporation hereby created," and that the bank shall

have the space of two years after the expiration of its charter in which to settle its affairs.]

[SEC. 22. If the bank does not begin operations by the first Monday in April, 1817, Congress may declare the charter "null and void."]

SEC. 23. *And be it further enacted*, That it shall, at all times, be lawful for a committee of either House of Congress, appointed for that purpose, to inspect the books, and to examine into the proceedings of the corporation hereby created, and to report whether the provisions of this charter have been, by the same, violated or not; and whenever any committee, as aforesaid, shall find and report, or the President of the United States shall have reason to believe that the charter has been violated, it may be lawful for Congress to direct, or the President to order a *scire facias* to be sued out of the circuit court of the district of Pennsylvania, in the name of the United States, (which shall be executed upon the president of the corporation for the time being, at least fifteen days before the commencement of the term of said court,) calling on the said corporation to show cause wherefore the charter, hereby granted, shall not be declared forfeited; and it shall be lawful for the said court, upon the return of the said *scire facias*, to examine into the truth of the alleged violation, and if such violation be made to appear, then to pronounce and adjudge that the said charter is forfeited and annulled: *Provided, however*, Every issue of fact which may be joined between the United States and the corporation aforesaid, shall be tried by jury. And it shall be lawful for the court aforesaid to require the production of such of the books of the corporation as it may deem necessary for the ascertainment of the controverted facts; and the final judgment of the court aforesaid, shall be examinable in the Supreme Court of the United States, by writ of error, and may be there reversed or affirmed, according to the usages of law.

Approved, April 10, 1816.

—*Statutes at Large*, Vol. III, pp. 266 ff., chap. xliv, and *A. of C.*, 14th Cong., 1st Sess., Vol. I, pp. 1812 ff.

APPENDIX II

Propositions respectfully submitted to the convention of State banks by the committee on the part of the Bank of the United States:

1. That the incorporated banks of New York, Philadelphia, Baltimore, and Richmond, engage, on the 20th instant, to commence, and thenceforth to continue, specie payments for all demands upon them.

2. That in the liquidation of the balances which may be due by the receiving banks, the Bank of the United States will credit those banks,

respectively, with the amount of their checks upon banks which may be parties to this agreement.

3. That the whole of the public balances in the receiving Banks in New York, Philadelphia, Baltimore, and Virginia, be transferred to the Bank of the United States on the 20th of this month, and retained by the said bank until the 1st of July next, when the same shall be paid off, together with the interest thereon.

4. The payment of the balances which may accumulate against the aforesaid banks subsequently to the transfer of the balances first mentioned shall not be demanded by the Bank of the United States until the said bank and its branches shall have discounted for individuals (other than those having duties to pay) subsequently to the 19th instant the following sums, to wit: For those in New York, two millions; for those in Philadelphia, two millions; for those in Baltimore, one and a half million; for those in Virginia, five hundred thousand dollars; provided, that if the said bank shall be willing to discount, and shall not have the required amount of good paper offered within the term of sixty days from the 20th instant at New York, Philadelphia, and Baltimore, and within the same term after the operations of the offices of the said bank in Virginia shall have commenced, the aforesaid banks shall, at the expiration of that time, at the aforesaid places, respectively, pay to the Bank of the United States the balance due by them respectively.

5. That the Bank of the United States will engage to discount the required amount at the respective places, and within the time mentioned in the preceding articles, provided good paper to that amount shall be offered.

6. That in the event of the Bank of the United States and its branches not having a sufficient amount of good paper offered at the respective places mentioned in the fourth article within the period therein stipulated, then the Bank of the United States will engage to discount for the said banks the amount of the deficiency at the respective places, according to the amount of the capitals of the said banks respectively.

7. That the aforesaid banks shall exchange with the Bank of the United States and its branches, from day to day, all such notes of either as the said banks may receive; and an interest account from the 20th instant to the 1st of July shall be liquidated and settled in the usual manner.

8. That the Bank of the United States, and the incorporated banks of New York, Philadelphia, Baltimore, and Virginia, will interchange pledges of good faith and friendly offices, and upon any emergency which may menace the credit of the aforesaid banks or the branches of the United States Bank, will cheerfully contribute their resources to any

reasonable extent in support thereof—the Bank of the United States confiding in the justice and discretion of the State banks, respectively, to circumscribe their affairs within the just limits indicated by their respective capitals as soon as the interest and convenience of the community will admit.

9. That upon the mutual agreement of the parties to these stipulations, the same shall be submitted to the Secretary of the Treasury for his decision upon those points which involve the public balances, and when approved by him shall be obligatory upon all the contracting parties.

—Feb. 1, 1817, *F.*, Vol. IV, p. 769.

APPENDIX III

The first rules of the bank were adopted in 1816. In 1832 they were revised (Biddle to Hugh McElderry, January 24, 1832, *P. L. B.*, Vol. IV, p. 123), and as revised went into effect May 3, 1833 (Biddle to John McKim, May 3, 1833, *ibid.*, p. 478). The rules here given are the revised rules of 1833. Wherever these differ from those of 1816, the differences are noted in brackets.

RULES AND REGULATIONS FOR CONDUCTING THE BUSINESS OF THE BANK OF THE UNITED STATES

Rule 1. Days and Hours of business.—The Bank shall be kept open for the transaction of business, from nine o'clock in the morning until three o'clock in the afternoon every day in the year, except Sundays, Christmas day, the First of January, and the Fourth of July.

Rule 2. Deposits.—The Bank shall take charge of the cash of all such persons as shall choose to place it there, free of expense, and shall keep it subject to the order of the depositor, payable at sight; and shall also receive special deposits of ingots of gold, bars of silver, wrought plate, and other valuable articles of small bulk, for safe keeping, at the risk of the depositor.

Rule 3. Days of Discount.—All bills and notes offered for discount, shall be delivered into Bank on Monday and Thursday in each week, and laid before the Board of Directors, on the succeeding Tuesday and Friday, [rules of 1816 add: "at ten o'clock in the morning,"] together with a statement of the funds and situation of the Bank; on which days the discounts shall be settled, and such as shall be admitted shall be passed to the credit of the applicants on the day on which they are discounted, and may be drawn for at any time after twelve [1816, "one"] o'clock; and the notes or bills not discounted, shall be returned at any time after twelve [1816, "one"] o'clock of the same day.

Rule 4. Discounts, and accommodation.—Discounts shall not be made upon personal security without two responsible names (the firm of a house being considered as one name only;) but if stock of this Bank, funded debt of the United States, or such other property as shall be approved by the Board, be deposited and pledged to an amount sufficient to secure the payment, with all damages, one responsible name may be taken. [1816 adds: "But no *accommodation note* (*i. e.* a note, the proceeds of which are to be placed to the credit of the drawer) shall be discounted, unless its payment be secured by a deposit of the stock of this Bank, or of funded debt of the United States, or such other property as shall be approved by the Board; together with an express authority to the Bank to sell the deposit in case of non-payment at any time after the note shall become due."]

Rule 5. Mode of decision on application for discounts.—On each application for discount, every Director who may be present, shall be held to give his opinion for or against the same. And no discount shall be made without the consent of three-fourths of the directors present; and all notes and bills discounted shall be entered in a book, to be called *the Credit Book*, in such manner as to discover to the Board, at one view, on each discount day, the amount for which any person is indebted to the Bank, either as payer, discounter, or indorser. [1816 reads: "the amount which any person is discounter, or is indebted to the Bank, either as payer or as indorser."]

Rule 6. Overdrafts.—On every discount day, the name of every person who shall have overdrawn the Bank since the last discount day, shall be reported to the Board; and no person while he remains an overdrawer, shall have any note or bill discounted at this Bank. And in no instance will this Bank give a release or discharge to any debtor where the debt arises from an overdraft. And every officer who shall knowingly suffer an overdraft to be made on the Bank, without communicating it to the President or [1816, "and"] Cashier, shall be dismissed from the service of the Bank.

Rule 7. Protest.—If any bill or note belonging to this Corporation, shall not be paid before the shutting of the Bank on the last day of grace, such bill or note shall be forthwith protested; and while such bill or note remains unpaid, no discount or accommodation shall be granted to any drawer, acceptor, or indorser of the same. Bills and notes deposited for collection, at any time before the commencement of the days of grace, shall be proceeded with, as bills and notes discounted; unless the person depositing the same shall otherwise direct in writing; *provided*, that in case of non-payment and protest, the person lodging the same shall pay the charges of protest.

Rule 8. Books of Signatures.—Every person who opens an account, and transacts business with this Bank, shall subscribe his name in a

book, to be kept for that purpose, to be called *The book of signatures*, and all the persons who compose any house, keeping any [1816, "an"] account with this Bank, shall subscribe their names, and the signature of the firm, in this book, if residing in Philadelphia.

Rule 9. The cash account of individuals not to be examined by a Director.—No director, without special authority, shall be permitted to inspect the cash account of any person with this Bank.

Rule 10. Times for balancing the books, &c.—The books and accounts of the Bank shall be regularly balanced on the first day [1816, "Monday"] in January and July in each year; and [1816, "at which time"] the half-yearly dividends shall be declared, on the first Monday in said months, [1816 omits "on the first Monday in said months,"] and published in at least three of the newspapers in the city of Philadelphia:—and the books of transfer shall be shut for ten [1816, "twenty"] days immediately preceding each of the days appointed for declaring the half yearly dividends. [1816 reads: "appointed for balancing the books of the Bank and declaring the half-yearly dividends."]

Rule 11. Cashier may receive the dividends on the Bank shares, and interest of the funded debt of the United States.—In all cases when required, the Cashier shall accept powers of attorney for receiving any interest or dividend due, or to become due, on any shares in this Bank, or on any funded debt of the United States payable in Philadelphia; which interest or dividend shall be held by the Bank, subject to the order of the proprietor, free of charge.

Rule 12. How lost certificates are to be renewed.—If any person claims a certificate of Bank stock to be issued in lieu of one lost or destroyed, he shall make an affidavit of the fact, and state the circumstances of the loss or destruction; and he shall advertise in one or more of the public newspapers in the city of Philadelphia, for the space of six weeks, an account of the loss or destruction, describing the certificate and its number, calling on all persons to show cause why a new certificate shall not issue in lieu of that lost; and he shall transmit to the Bank his affidavit, and the advertisements before mentioned, and give to the Bank a bond of indemnity, with one or more sureties if required, (in the sum of two hundred dollars, for each share to be renewed) against any damage which may arise from issuing the new certificate: whereupon the Cashier shall, six months after the notice by advertisement as aforesaid, issue a new certificate, of the same number and tenor with that said to be lost or destroyed, and specifiying that it is in lieu thereof.

Rule 13. Committees.—A Committee on the Offices consisting of five members, shall be appointed by the President every three months, who shall have special charge of the situation and concerns of the several Offices and Agencies, with authority to report such measures in relation

thereto as they may deem beneficial. The said Committee shall have like charge of all matters relating to the nomination and election of Directors for the several Offices.

A Committee on Exchange consisting of three members shall be appointed at the same time and in like manner, who shall have special charge of all matters relating to the operations of the Bank and its Offices, in Foreign and Domestic Exchange and Bullion — and who shall act as a daily Committee for the purchase of Domestic Exchange at the Bank.

A Committee on the State of the Bank consisting of five members shall at the same time be appointed by ballot, who shall have charge of such matters relative to the local business of the Bank as may from time to time be referred to them by the Board; they shall at least once during their time of service examine and count the discounted notes, and compare the amount thereof with the balance of the amount of bills discounted in the General Ledger; they shall also count the cash, and the printed and unprinted paper in the possession of the Cashier — examine the evidences of the public debt and property of the Corporation, make an inventory of the same to be compared with the books in order to ascertain their agreement, and report to the Board.

[1816 reads: "Two Directors shall, weekly and in rotation, be appointed as a committee of Directors for the week; whose more especial duty it shall be, to attend at the Bank during their respective weeks of service, as often as their convenience will permit; and when requested by the President, to afford their aid and advice in all cases relative to the interest and business of the Bank. And a Committee on the State of the Bank, shall be appointed by ballot every three months, to examine and count the discounted notes, and compare the amount thereof with the balance of the amount of bills discounted in the general ledger; they shall also count the cash, and the printed and unprinted paper in the possession of the President, and examine the evidences of the public debt and other property of the Corporation, and make an inventory of the same to be compared with the books in order to ascertain their agreement, and make a report to the Board."]

Rule 14. Election of Directors.—Thirty days' notice shall be given by the Cashier in at least two of the daily newspapers of Philadelphia, of each annual election for Directors of the Bank; and within one week preceding the same, the Directors for the time being, shall appoint by ballot five Stockholders, not being Directors, to be Judges of the election, who shall conduct and regulate the same, commencing at ten o'clock, A.M. on the first Monday of January.

But in case an election of Directors shall not begin, or shall not be completed on the said first Monday, the Judges shall adjourn the same

from day to day, not exceeding five days until the said election shall be completed.

The Judges shall on the forenoon on the day after the election shall have been completed, at the furthest, transmit to the Cashier of the Bank, an authentic certificate of the persons elected: and the Cashier shall thereupon forthwith give notice to all of the said Directors who shall be within convenient distance, to meet at the Bank at six o'clock in the evening of the same day for the purpose of choosing a President.

[1816 reads: "On the Friday preceding each annual election for Directors of this Bank, the Directors for the time being shall appoint by ballot five stockholders, not being Directors, to be judges of the election; who shall conduct and regulate the same, commencing at ten o'clock A.M."]

Rule 15. Mode of electing officers of the Bank, &c.—In every election to an office (except that of the President) by this Board, there shall be a previous nomination of the candidate at least one week before the election: Provided, that such previous nomination may be dispensed with by an unanimous vote of the Directors present:—[1816, proviso omitted] and every President, Cashier and Assistant Cashier [1816 omits "and Assistant Cashier," placing an "and" between President and Cashier] of this Bank, shall take and subscribe, an oath or affirmation, to the following effect,—to wit:—*I ——— do swear (or affirm) that I will to the best of my knowledge and abilities, perform the duties assigned to, and the trust reposed in me, as ——— of the Bank of the United States.*

Rule 16. Duties of the President.—It shall be the duty of the President to take into his custody at the Bank, the Seal of the Bank which he shall cause to be affixed to all instruments and documents when so ordered by the Board; and to sign all bills and notes issued by the Corporation.

He shall preside at all meetings of the Board, except in cases of necessary absence, convene the Directors on special occasions, and serve as a member of all committees of the Board.

[1816 reads: "It shall be the duty of the President to take into his custody at the Bank, the plates, paper moulds, and bank paper; to superintend the printing of all bills or notes ordered by the Directors to be printed; and to keep a regular account of the Bank paper in his custody, and the quantity ordered from time to time for impression, which account shall be checked by quarterly examinations by the committee on the state of the Bank. He shall also sign all bills and notes issued by the Corporation; and have in his custody the seal of the Bank, which he shall cause to be affixed to all such instruments and documents as the Directors shall order."]

Rule 17. Duties of the Cashier.—It shall be the duty of the Cashier to countersign all bills, notes, certificates of stock, and bills of exchange to be signed by the President, or by order of the Board: He shall take into his custody at the Bank, the plates, paper-moulds, bank note paper, unprinted and printed until issued, blank certificates of stock, and bills of exchange, superintend the printing of whatever supplies of these may from time to time be considered necessary for the use of the Bank and Offices; keep a regular account of all the articles in his custody, which account shall be checked by quarterly examinations by the Committee on the State of the Bank; he shall attend all meetings of the Board, keep a fair and regular record of its proceedings, furnish official extracts therefrom, and give all such information as may be required by the Board or any Committees.

He shall correspond with the Officers of the several Offices, as the organ of the Board or Committees of the Board, in directing the general operations of the Bank, in stock and bullion, and in foreign and domestic exchange; he shall also correspond with the Agents of the Bank in Europe, and with all other persons doing business with the Bank on subjects connected with his department; he shall carefully observe the conduct of all persons employed under him, and report to the Board such instances of neglect, incapacity or bad conduct as he may discover in any of them, and generally shall perform all such other services as may be required of him by the Board.

[1816 reads: "It shall be the duty of the Cashier, to countersign, at the Bank, all bills or notes to be signed by the President, or by order of the Board: carefully to observe the conduct of all persons employed under him, and report to the Board such instances of neglect, incapacity, or bad conduct as he may discover in any of them:—daily to examine the settlement of the cash accounts of the Bank:—to take charge of the cash, and whenever the actual amount disagrees with the balance of the cash account, report the same to the President and Directors without delay:—to attend all meetings of the Board; keep a fair and regular record of its proceedings; give such information to the Board as may be required; consult with committees when requested, on subjects referred by the Board; and also to perform such other services as may be required of him by the Board."]

Rule 18. Duty of the first Assistant Cashier.—It shall be the duty of the First Assistant Cashier to take charge of the local operations of the Bank in Philadelphia in the same manner and with the same duties, as the Cashiers of the offices do of the concerns of their respective Offices, except when otherwise provided by the by-laws or directed by the Board; carefully to observe the conduct of all persons employed under him, and report to the President and Cashier such instances of neglect, incapacity or bad conduct as shall come to his knowledge, daily

to examine the settlement of the cash accounts of the Bank, to take charge of the cash, and whenever the actual amount, disagrees with the balance of the cash account report the same to the President and Cashier without delay, and generally to perform such services as shall be required of him by the Board, the President, or the Cashier.

Rule 19. Duty of Second Assistant Cashier.— It shall be the duty of the Second Assistant Cashier to take charge of the general statements and accounts of the Bank; the accounts between the several Offices, the accounts with the Government of the United States, the foreign exchange accounts, and the returns of all foreign or domestic bills purchased at the Offices. On all these subjects he shall correspond with the Offices and the parties concerned, under the special superintendence of the President and Cashier; and generally perform such other services as may be required by the Board or by the President or Cashier.

Rule 20. Duties of the third Assistant Cashier.— It shall be the duty of the third Assistant Cashier to take charge of the Suspended Debt and the Real Estate of the Bank and the several Offices, and correspond thereon with the Officers and Agents of the Bank and the Offices, and with other parties concerned under the special superintendence of the President and Cashier, and generally perform such other services as may be required by the Board, or by the President or the Cashier.

[1816 has rule 18 for 18, 19, 20, as follows: "It shall be the duty of the Assistant Cashier to perform the duties of the Cashier, in case of his sickness or absence; to superintend the opening and keeping of the stock ledgers, and all other books of the Bank; to observe the conduct of all those employed under him, and report to the Cashier such instances of neglect, incapacity or bad conduct as shall come to his knowledge; and generally to perform such services as shall be required of him by the Board, the President, or the Cashier."]

Rule 21 [1816, *19*]. *How the Cashier and Assistant Cashiers* [1816, "*cashier*"] *are to be elected.*— In the election of Cashier, or Assistant Cashiers, [1816, "Cashier"] the ballots shall be first taken for all the candidates, and if no one shall have a majority of the votes of all the Directors present, [1816, "present" omitted] then the three candidates having the highest number shall be voted for again; and if no one shall be elected, the ballots shall be then taken on the two highest.

Rule 22 [1816, *20*]. *Security to be given by the Cashier and other officers, &c.*— The Cashier before he enters upon the duties of his office [1816 omits "before . . . . his office"] shall give bond to the President, Directors and Company, with two or more approved sureties, in the sum of seventy thousand dollars, with a condition *for his good behaviour, and the faithful performance of his duties to the Corporation.* The First

Assistant Cashier, [1816 omits "First"] and the Cashier at each Office, shall give bond, in like manner, in the sum of fifty thousand dollars, with the same condition. The Second and Third Assistant Cashiers shall give bond in like manner in the sum of twenty-five thousand dollars with the same condition. [1816, this sentence omitted.] The *paying* and the *receiving* Tellers, in the sum of twenty thousand dollars each: The Book-keepers, Discount Clerks, Note Clerks, and other Clerks, in the sum of five thousand dollars each; and the Porters in the sum of two thousand dollars each, with the same condition.

Rule 23 [1816, *21*]. *Clerks, &c. prohibited from having an account with the Bank.*—No Clerk or Porter in this institution shall be permitted to have an account with the Bank, but shall receive his salary quarterly, or monthly. [1816 adds: "from the Cashier, or his Assistant:"] And every Clerk and servant of the Bank shall take, and subscribe, an oath or affirmation to the following effect, to wit:—*I* ——— *do swear or* (*affirm*) *that I will to the best of my knowledge and abilities, perform the duties assigned to,* [1816 omits *to*] *and the trust reposed in me as* ——— *of the Bank of the United States, and keep secret the business thereof.*

Rule 24 [1816, *22*]. *How the present rules, &c. may be altered or repealed.*—None of the foregoing rules or regulations shall be repealed or altered, unless a majority of all the Directors vote for the repeal or alteration, nor unless upon a motion offered for that purpose at a previous meeting of the Board.

Rule 25 [1816, *23*]. *How the proceedings of the Board of Directors are to be governed.*—The proceedings of the Board of Directors, when conducting their business as a deliberative body, shall be governed by the following articles.

1. When the President takes the chair, the members shall take their seats.

2. The Discounts shall be settled, and [1816 omits these words] the minutes of the preceding meeting shall then [1816 omits "then"] be read before the Board proceeds to any other business; and no debate shall be admitted, nor question taken, at such reading, except as to errors and inaccuracies. [1816 adds: "The state of the Bank shall then be read, and the discounts settled."]

3. The President shall be the judge of order, and his decisions shall be immediately submitted to, unless two members require an appeal to the Board. He shall name all Committees, unless herein otherwise provided, or unless the Board shall otherwise determine; and he shall call special meetings of the Board, whenever in his opinion the business may require it, or on the request of three members of the Board.

4. Every member presenting a paper to the chair, shall first state

its general purport; and every member who shall make a motion, or offer a resolution, or speak on any subject under discussion, shall rise and address the President.

5. No debate shall be entered into on any motion, or resolution, until it shall be stated from the chair; and all motions shall, if requested by the President or by two members, be reduced to writing; and no member shall speak more than twice upon any one question without leave from the Board.

6. While a resolution is under consideration, no motion shall be made, except to amend, divide, commit or postpone it: But it shall be in order, at any time, on the call of three members, to take *the previous question*, which shall be "*Will the Board at this time act on this subject?*" and if it shall be decided in the affirmative, the debate may be continued. A motion to adjourn, shall always be in order, but shall be decided without debate.

7. A member may call for the division of a question or resolution where the sense will admit of it; but no amendment which tends to destroy the general sense of the clause of a resolution shall be admitted.

8. If business of different kinds shall be called for, at the same time, by different members, the Board will judge and give preference accordingly.

9. The *yeas* and *nays* shall be taken on any question, if called for by two members previous to the decision on such question; but no motion for reconsideration shall be permitted, unless made and seconded by members who were in the majority on the original question.

10. At the request of any two of the Board, the names of the members who make and second a motion shall be entered on the minutes.

Date and place of publication unknown. Pamphlet secured from the Massachusetts State Library.

APPENDIX IV

AN ACT *to modify and continue the Act entitled "An Act to incorporate the subscribers to the Bank of the United States."*

[SEC. 1 continues the original charter for fifteen years with "the modifications and changes hereinafter expressed."]

SEC. 2. *And be it further enacted*, That the directors of the said corporation shall have power to appoint two or more officers, with authority to sign and countersign any or all the notes thereof, the denomination of each of which shall be less than one hundred dollars; which notes, when signed and countersigned by the said officers, respect-

ively, shall, to all intents and purposes, be binding and obligatory upon the said corporation as if the same had been signed by the President, and countersigned by the principal Cashier or Treasurer thereof; and it shall be the duty of the directors of the said corporation to make known, in writing, and as soon as may be, to the Secretary of the Treasury, the names of the officers who shall be appointed by virtue of the provision: *Provided*, That from and after the third day of March, one thousand eight hundred and thirty-six, no branch bank draft, or other bank paper not payable at the place where issued, shall be put in circulation, as currency, by the bank, or any of its offices, except notes of the denomination of fifty dollars, or of some greater sum.

SEC. 3. *And be it further enacted*, That it shall not be lawful for the said corporation to issue, pay out, or put in circulation, any note or notes of a denomination less than fifty dollars, which shall not, upon the faces thereof, respectively, be payable at the bank or office of discount and deposite whence they shall be issued, paid out, or put in circulation.

SEC. 4. *And be it further enacted*, That the notes or bills of the said corporation, although the same be, upon the faces thereof, respectively, made payable at one place only, shall, nevertheless, be received by the said corporation at the bank, or at any of the offices of discount and deposite thereof, if tendered in liquidation or payment of any balance or balances due to said corporation, or to such office of discount and deposite, from any other incorporated bank.

SEC. 5. *And be it further enacted*, That it shall not be lawful, after the said third day of March, in the year one thousand eight hundred and thirty-six, for the said corporation to hold, keep, and retain, for a period exceeding five years after the date of acquiring the same, any right, title, or interest, except by way of mortgage or judgment lien in security of debts, to any lands, tenements, and hereditaments, other than those requisite for its accommodation in relation to the convenient transacting of its business; and it shall be the duty of said corporation, within the aforesaid period of five years, to sell, dispose of, or otherwise bona fide divest itself of all right, title, and interest to any lands, tenements, and hereditaments, conveyed to it in satisfaction of debts previously contracted in the course of its dealings, or purchased at sales upon judgments which shall have been obtained for such debts; and for any and every violation of this provision, the said corporation shall be subject to a penalty of ten thousand dollars, to be recovered in the name of the United States of America, by a qui-tam action of debt instituted in any court of the United States having jurisdiction of the same; one-half of which shall enure to the benefit of the informer, and the other half to the use of the United States.

SEC. 6. *And be it further enacted*, That from and after the said tenth day of April, in the year one thousand eight hundred and thirty-

six, it shall not be lawful for the directors of the said corporation to have, establish, or retain, more than two offices of discount and deposite in any State: *Provided*, That nothing herein contained shall prevent the said corporation from retaining any of the branches which are now established.

SEC. 7. *And be it further enacted*, That, in consideration of the exclusive benefits and privileges continued by this act to the said corporation for fifteen years as aforesaid, the said corporation shall pay to the United States the annuity or yearly sum of two hundred thousand dollars; which said sum shall be paid on the fourth day of March in each and every year, during the said term of fifteen years.

SEC. 8. *And be it further enacted*, That it shall be lawful for Congress to provide, by law, that the said bank shall be restrained, at any time after the third day of March, in the year one thousand eight hundred and thirty-six, from making, issuing, or keeping in circulation, any notes or bills of said bank, or any of its offices, of a less sum or denomination than twenty dollars.

SEC. 9. *And be it further enacted*, That the Cashier of the bank shall, annually, report to the Secretary of the Treasury the names of all stockholders who are not resident citizens of the United States; and, on application of the Treasurer of any State, shall make out and transmit to such Treasurer a list of stockholders residing in, or citizens of, such State, with the amount of stock owned by each.

[SEC. 10. All acts supplementary to the original charter and "not inconsistent with this act" to continue in force during the term of the present act.]

[SEC. 11. The president and directors of the bank must "signify to the President of the United States their acceptance" of this act by the "first day of the next session of Congress."]

A. STEVENSON,
Speaker of the House of Representatives.

J. C. CALHOUN,
Vice President of the United States and President of the Senate.

(*Endorsed.*)

I, certify, that this act did originate in the Senate.

WALTER LOWRIE,
Secretary.

—*Senate Journal*, 22d Cong., 1st Sess., p. 451.

APPENDIX V

General Statement of the Bank of the United States, 1817–36

Dates	Discounts on			Funded Debt
	Personal Sec.	Bank Stock	Other Securities	
1817, February	397,000	182,000	....	4,829,000
July	25,770,000	....	....	....
1818, March	29,609,000	11,244,000	327,000	9,475,000
July	30,318,000	10,591,000	548,000	9,430,000
1819, January	27,092,000	8,363,000	330,000	7,391,000
July	22,762,000	7,949,000	236,000	7,139,000
1820, January	20,980,000	7,035,000	1,897,000	7,192,000
July	20,760,000	6,996,000	737,000	9,158,000
1821, January	20,598,000	6,693,000	2,104,000	9,155,000
July	20,013,000	6,503,000	124,000	13,360,000
1822, January	20,342,000	6,066,000	78,000	13,318,000
July	22,334,000	6,126,000	61,000	13,112,000
1823, January	22,597,000	6,149,000	50,000	11,018,000
July	24,821,000	6,884,000	74,000	10,876,000
1824, January	24,324,000	6,708,000	75,000	10,874,000
July	23,844,000	5,876,000	76,000	15,872,000
1825, January	23,170,000	5,655,000	258,000	18,422,000
July	26,666,000	2,798,000	148,000	20,738,000
1826, January	27,104,000	3,131,000	69,000	18,303,000
July	26,945,000	3,019,000	780,000	17,764,000
1827, January	24,330,000	2,933,000	326,000	17,764,000
July	25,749,000	2,429,000	575,000	17,764,000
1828, January	26,452,000	1,928,000	280,000	17,624,000
July	29,281,000	1,951,000	821,000	17,352,000
1829, January	29,854,000	1,375,000	298,000	16,099,000
July	31,790,000	1,359,000	1,046,000	14,932,000
1830, January	30,654,000	1,002,000	315,000	11,610,000
July	31,304,000	918,000	653,000	10,674,000
1831, January	32,827,000	665,000	83,000	8,674,000
July	40,559,000	866,000	22,000	3,674,000
1832, January	48,852,000	731,000	18,000	2,000
July	43,397,000	518,000	1,920,000	....
1833, January	40,085,000	687,000	2,854,000	....
July	37,032,000	827,000	3,833,000	....
1834, January	33,703,000	912,000	3,993,000	....
July	29,932,000	1,031,000	3,459,000	....
1835, January	29,933,000	1,006,000	3,686,000	....
July	32,132,000	1,860,000	6,228,000	....
1836, January	22,273,000	3,503,000	14,206,000	....
March 3	20,148,000	3,060,000	17,385,000	....

GENERAL STATEMENT OF THE BANK OF THE UNITED STATES, 1817–36—*Continued*

Dates	Domestic Exchange	Real Estate	Banking House and Permanent Expenses	Balances[1] with European Bankers	Balances[1] with State Banks
1817, Feb.	....	....	....	....	8,848,000
July	....	....	....	....	2,424,000
1818, March...	....	....	175,000	− 324,000	1,203,000
July	....	....	423,000	− 572,000	2,463,000
1819, Jan.	....	....	433,000	− 812,000	2,624,000
July	....	....	742,000	− 3,000	2,908,000
1820, Jan.	1,487,000	....	1,296,000	−1,792,000	2,727,000
July	1,712,000	....	1,345,000	−1,027,000	727,000
1821, Jan.	1,508,000	....	1,886,000	−1,969,000	1,178,000
July	1,745,000	429,000	1,880,000	− 702,000	− 291,000
1822, Jan.	1,573,000	563,000	1,855,000	− 932,000	1,717,000
July	3,273,000	595,000	1,999,000	−1,258,000	1,055,000
1823, Jan.	1,940,000	626,000	1,956,000	−1,268,000	1,407,000
July	3,023,000	736,000	1,893,000	− 759,000	1,205,000
1824, Jan.	2,323,000	1,302,000	1,871,000	414,000	1,287,000
July	2,896,000	1,418,000	1,880,000	527,000	296,000
1825, Jan.	2,727,000	1,495,000	1,852,000	−2,383,000	2,130,000
July	3,917,000	1,568,000	1,831,000	517,000	241,000
1826, Jan.	3,118,000	1,848,000	1,792,000	170,000	747,000
July	4,275,000	1,620,000	1,809,000	173,000	1,833,000
1827, Jan.	3,347,000	2,039,000	1,678,000	180,000	1,683,000
July	5,437,000	2,163,000	1,625,000	969,000	1,834,000
1828, Jan.	5,022,000	2,295,000	1,634,000	−1,111,000	−1,697,000
July	6,451,000	2,354,000	1,600,000	− 352,000	−1,737,000
1829, Jan.	7,689,000	2,345,000	1,557,000	482,000	1,723,000
July	8,821,000	2,606,000	1,502,000	1,447,000	1,960,000
1830, Jan.	8,691,000	2,886,000	1,444,000	1,530,000	1,199,000
July	10,361,000	2,802,000	1,384,000	3,756,000	1,335,000
1831, Jan.	10,456,000	2,629,000	1,344,000	2,383,000	− 734,000
July	15,113,000	2,493,000	1,298,000	144,000	− 60,000
1832, Jan.	16,691,000	2,136,000	1,159,000	−1,356,000	1,993,000
July	22,579,000	1,829,000	1,174,000	630,000	2,552,000
1833, Jan.	18,069,000	1,855,000	1,181,000	3,106,000	1,596,000
July	21,676,000	1,809,000	1,187,000	1,911,000	485,000
1834, Jan.	16,302,000	1,741,000	1,189,000	1,801,000	1,536,000
July	16,601,000	1,741,000	1,222,000	3,827,000	408,000
1835, Jan.	17,183,000	1,760,000	1,218,000	1,922,000	1,490,000
July	24,976,000	1,758,000	1,218,000	2,378,000	−2,065,000
1836, Jan.	19,250,000	1,486,000	967,000	73,000	1,427,000
March 3.	17,750,000	2,570,000	474,000	− 370,000	2,653,000

[1] A minus sign prefixed indicates that the balances were against the bank.

GENERAL STATEMENT OF THE BANK OF THE UNITED STATES, 1817–36—*Continued*

Dates	Circulation	Public Deposits	Other Deposits	Specie
1817, February	1,911,000	10,180,000	1,052,000	1,724,000
July.........	4,759,000	24,746,000	3,023,000	2,129,000
1818, March	8,339,000	7,370,000	4,909,000	2,515,000
July.........	9,045,000	7,967,000	4,786,000	2,357,000
1819, January	6,563,000	2,856,000	2,936,000	2,666,000
July.........	5,213,000	3,670,000	2,643,000	2,954,000
1820, January	3,589,000	3,560,000	3,008,000	3,392,000
July.........	4,005,000	2,925,000	3,963,000	5,821,000
1821, January	4,567,000	2,928,000	4,996,000	7,643,000
July.........	5,551,000	2,944,000	4,362,000	5,876,000
1822, January	5,578,000	2,616,000	5,457,000	4,761,000
July.........	5,620,000	3,388,000	3,839,000	3,350,000
1823, January	4,361,000	4,275,000	3,347,000	4,424,000
July.........	4,629,000	7,733,000	3,688,000	4,910,000
1824, January	4,647,000	10,181,000	3,520,000	5,813,000
July.........	6,383,000	8,159,000	6,043,000	5,588,000
1825, January	6,068,000	6,702,000	5,330,000	6,746,000
July.........	9,540,000	7,992,000	5,966,000	4,048,000
1826, January	9,474,000	5,769,000	5,444,000	3,960,000
July.........	10,210,000	9,783,000	5,630,000	6,194,000
1827, January	8,549,000	8,982,000	5,337,000	6,457,000
July.........	10,198,000	9,449,000	6,257,000	6,381,000
1828, January	9,855,000	8,354,000	6,142,000	6,170,000
July.........	10,890,000	11,554,000	6,402,000	6,621,000
1829, January	11,901,000	10,697,000	6,364,000	6,098,000
July.........	13,691,000	11,657,000	7,122,000	6,641,000
1830, January	12,924,000	9,654,000	6,391,000	7,608,000
July.........	15,346,000	10,437,000	7,928,000	10,252,000
1831, January	16,251,000	9,131,000	8,165,000	10,808,000
July.........	19,195,000	7,655,000	9,103,000	12,175,000
1832, January	21,355,000	12,589,000	8,107,000	7,038,000
July.........	20,520,000	11,872,000	8,115,000	7,519,000
1833, January	17,518,000	12,752,000	7,518,000	8,951,000
July.........	19,366,000	6,512,000	9,868,000	10,098,000
1834, January	19,208,000	4,030,000	6,734,000	10,031,000
July.........	16,641,000	2,675,000	6,735,000	12,823,000
1835, January	17,339,000	2,621,000	7,844,000	15,708,000
July.........	25,332,000	1,686,000	9,558,000	13,429,000
1836, January	23,075,000	627,000	4,369,000	8,417,000
March 3	21,109,000	324,000	3,390,000	5,595,000

—Compiled from *S. D.* 17, 23d Cong., 2d Sess., pp. 204–24; *S. D.* 128, 25th Cong., 2d Sess., pp. 208–11; and the monthly reports of the bank.

PROFITS OF THE BANK

Date	Disconnts	Exchange	Total Net Profits	Rate per Cent. of Dividends
1817, July......	325,359.70	873.21	1,021,873.40	$2\frac{6}{10}$
1818, January...	1,152,329.79	51,044.18	1,382,216.84	4
July......	1,210,106.63	101,039.77	1,266,186.99	$3\frac{1}{2}$
1819, January...	988,218.85	142,186.93	899,010.58	$2\frac{1}{2}$
July......	863,239.22	153,820.18	983,479.08	Carried to contingent fund
1820, January...	694,611.72	106,805.70	784,843.45	
July......	673,302.14	65,327.05	718,590.60	
1821, January...	620,478.01	44,882.71	733,867.91	
July......	566,466.61	49,092.34	750,438.82	$1\frac{1}{2}$
1822, January...	512,174.82	32,523.77	719,006.79	2
July......	557,568.14	62,716.48	1,009,727.84	$2\frac{1}{4}$
1823, January...	573,725.55	49,802.83	884,105.81	$2\frac{1}{2}$
July......	652,828.51	97,303.46	932,488.32	$2\frac{1}{2}$
1824, January...	678,566.03	67,353.42	929,083.02	$2\frac{1}{2}$
July......	636,893.39	90,395.98	976,932.46	$2\frac{1}{2}$
1825, January...	558,630.82	78,766.11	1,031,255.76	$2\frac{1}{2}$
July......	663,808.36	142,887.31	1,154,939.88	$2\frac{3}{4}$
1826, January...	711,058.14	107,354.50	1,162,485.83	$2\frac{3}{4}$
July......	722,868.76	169,598.23	1,218,141.46	3
1827, January...	721,606.42	101,386.53	1,147,562.10	3
July......	724,627.58	227,388.08	1,273,501.15	3
1828, January...	697,961.34	190,750.04	1,202,595.38	3
July......	779,671.03	260,453.13	1,349,352.24	$3\frac{1}{2}$
1829, January...	823,240.35	274,045.86	1,325,274.93	$3\frac{1}{2}$
July......	882,689.48	359,283.79	1,381,199.87	$3\frac{1}{2}$
1830, January...	876,599.40	372,961.60	1,392,442.15	$3\frac{1}{2}$
July......	889,149.07	452,418.65	1,414,351.96	$3\frac{1}{2}$
1831, January...	889,911.31	401,485.58	1,344,779.68	$3\frac{1}{2}$
July......	1,049,710.53	556,283.01	1,590,241.51	$3\frac{1}{2}$
1832, January...	1,254,319.23	584,331.51	1,716,292.05	$3\frac{1}{2}$
July......	1,298,051.43	741,752.90	1,861,218.69	$3\frac{1}{2}$
1833, January...	1,234,520.03	676,125.99	1,594,115.75	$3\frac{1}{2}$
July......	1,121,443.34	751,287.75	1,601,950.56	$3\frac{1}{2}$
1834, January...	1,074,112.54	605,356.28	1,430,320.32	$3\frac{1}{2}$
July......	939,341.35	759,993.32	1,498,434.87	$3\frac{1}{2}$

—*S. D.* 17, 23d Cong., 2d Sess., p. 194.

APPENDIX VI

EXCHANGE TRANSACTIONS—ANNUAL TOTALS OF INLAND BILLS PURCHASED [1]

1820 ...	$19,342,000	$ 5,526,300	1828 ..	$ 74,889,000	$21,396,800
1821 ...	20,242,000	5,782,330	1829 ..	102,012,000	29,146,200
1822 ...	29,008,000	8,288,000	1830 ..	115,008,000	32,882,200
1823 ...	31,435,000	8,980,000	1831 ..	173,364,000	49,532,500
1824 ...	31,162,000	8,903,400	1832 ..	237,708,000	67,916,500
1825 ...	39,633,000	11,323,700	1833 ..	237,697,000	67,913,400
1826 ...	43,310,000	12,374,200	1834 ..	186,255,000	53,215,700
1827 ...	56,487,000	16,139,100	1835 ..	259,653,000	74,816,000

APPENDIX VII

RATES OF EXCHANGE, 1829–32

At which Draughts are sold, and Domestic Bills purchased or collected, by the Bank of the United States and its Offices of Discount and Deposit.

OFFICE AT	BANK UNITED STATES		BOSTON		PROVIDENCE	
	Draughts Sold	Bills Purchased	Draughts Sold	Bills Purchased	Draughts Sold	Bills Purchased
B. U. S	....	....	par @ ¼	par	par @ ¼	par
Boston......	par	par	....	....	....	par
Providence..	par	par	par	par	....	....
New York..	par	par	par @ ¼	par	par	par
Baltimore...	par	par	....	par	....	par
Washington.	par	par	1	par	par	par
Charleston..	par @ ¼	¼	par @ ¼	¼	par @ ¼	....
N. Orleans..	par @ ½	1	par @ ½	1	par @ ½	1
Nashville...	par @ ½	¾	par @ ½	....	par @ ½	....
Lexington ..	¾	par	¾	....	¾	....
Cincinnati..	par @ ½	par	1	....	....	1
Pittsburgh..	par @ ½	par	par @ ½	....	par @ ½	....

[1] The aggregated totals for the years do not show as much as could be wished. They do show a very large business in exchange, and they show a great increase in the business done, but they do not tell how much money was actually invested in bills of exchange and drafts. This they do not do because the reports are for each month, while the bills were drawn for two, three, four, and six months. Consequently the same transactions must appear repeatedly in the different reports. All things considered, 105 days, or three and a half months, would probably be the average period for which bills were bought. Therefore, dividing by three and a half, the yearly aggregates will probably give the yearly amounts of exchange dealt in by the bank. The first column here given shows the sum of the monthly figures for each year as given in the bank reports. The second column is the first divided by three and a half. This method of computation is fairly accurate, as is evident where a comparison with the figures of others is possible.

RATES OF EXCHANGE, 1829-32 — *Continued*

Office at	New York		Baltimore		Washington	
	Draughts Sold	Bills Purchased	Draughts Sold	Bills Purchased	Draughts Sold	Bills Purchased
B. U. S.	par @ ⅛	par	par	par	par	par @ ½
Boston	par	par	....	par	....	½
Providence..	par	par	....	par	....	½
New York..	....	....	par	par	par	½
Baltimore...	par	par	....	....	....	par
Washington.	par	par	par @ ¼	par	....	....
Charleston..	par @ ¼	¼	par @ ¼	....	par @ ¼	....
N. Orleans..	par @ ½	1	par @ ½	1	par	1
Nashville...	par @ ½	¾	par @ ½	....	par @ ½	¾
Lexington ..	¾	par	¾	1½	¾	1
Cincinnati..	1	1	par @ ½	1	par @ ½	....
Pittsburgh..	par @ ½	....	par @ ½	....	par @ ½	1

Office at	Charleston		New Orleans		Nashville	
	Draughts Sold	Bills Purchased	Draughts Sold	Bills Purchased	Draughts Sold	Bills Purchased
B. U. S.	par @ ½	¾	1	1	par	¾
Boston	....	1	....	1	....	....
Providence..	....	1	....	1	....	1
New York...	par @ ½	....	½ @ 1	1	....	¾
Baltimore...	....	1	....	1	....	1
Washington.	par	....	par	1	par	....
Charleston .	....	....	par @ ¼	....	par @ ¼	....
N. Orleans..	1	1	....	....	par @ ½	¾
Nashville...	par @ ½	....	par @ ½	1	....	....
Lexington ..	¾	1½	¾	1	¾	1½
Cincinnati..	....	....	par @ ½	1	....	1
Pittsburgh..	....	....	½ @ 1	1	par	1

Office at	Lexington		Cincinnati		Pittsburgh	
	Draughts Sold	Bills Purchased	Draughts Sold	Bills Purchased	Draughts Sold	Bills Purchased
B. U. S.	par	¾	par	¾	par @ ½	½
Boston.....	....	....	....	1	....	1
Providence..	....	....	....	....	....	....
New York...	....	¾	....	¾	....	¾
Baltimore...	....	....	....	1	....	½
Washington.	par	1	par	....	par	par
Charleston..	par @ ¼	....	par @ ½	....	par @ ¼	....
N. Orleans..	par @ ½	....	par @ ½	1	par @ ½	....
Nashville...	par @ ½	½	par @ ½	¾	par @ ½	....
Lexington ..	....	....	¾	1	¾	1
Cincinnati..	par @ ¼	....	....	....	par @ ½	½
Pittsburgh..	par	....	par	½	....	....

—*H. R.* 358, 21st Cong., 1st Sess., pp. 34-7, Appendix 2.

RATES AT WHICH DOMESTIC EXCHANGE IS PURCHASED

By B. U. S. At	Date	On Phil.	On Bos.	On Prov.	On N. Y.	On Balt.	On W'sh.	On Chas.	On N. O.	On N'sh.	On Lex.	On Cin.	On Pitt.
	1833												
Phi.	Oct.	...	¼	¼	¼	¼	¼	1	1	1½	1½	1½	1½
Bos.	"	¼	...	¼	¼	¼	...	1	1	1½	1½	1½	1½
N.O	"	1	1	1	1	1	1	1	...	1½	1½	1½	1½
Cin.	"	½	½	½	½	½	½	½	1	1	1	...	1
	1834												
Phi.	Oct.	...	...	...	...	...	...	...	...	...	...	...	
Bos.	"	...	...	...	...	...	...	1	2	2½	2½	2½	2½
N. O	"	...	...	...	...	...	...	...	...	...	...	...	...
Cin.	"	½	½	½	½	½	...	...	2	...	...	...	...

—*S. D.* 392, 24th Cong., 1st Sess., pp. 6, 8.

APPENDIX VIII

EXCHANGE TRANSACTION OF THE BANK OF THE UNITED STATES

(000's omitted)

	North and East	South	Missis-sippi and Ohio Valleys	Per Cent of Whole Done in West and Southwest	New Orleans, Nashville, Louisville, Lexington, 1829-32; New Orleans, Mobile, Natchez, Nashville, and Louisville for the rest	New Orleans
1824..	$15,327	$ 6,915	$ 8,891	.286	......	......
1825..	16,090	10,375	12,855	.327	......	......
1826..	18,887	13,312	11,121	.257	......	......
1827..	25,715	13,570	17,187	.321	......	......
1828..	30,744	15,609	28,510	.381	......	......
1829..	36,839	19,180	47,110	.457	$ 36,262	$16,163
1830..	32,394	17,736	64,863	.564	52,097	22,500
1831..	60,413	18,580	94,314	.544	73,016	38,450
1832..	64,134	30,245	143,304	.603	119,274	49,766
1833..	80,889	29,399	126,338	.534	109,884	46,300
1834..	64,083	27,979	94,202	.506	85,778	36,427
1835..	95,747	36,703	127,203	.492	114,360	57,426
1836..	8,074	4,496	25,027	.667	......	......

Returns for the individual office are not complete before 1824. These figures are the totals of the monthly figures for the year. They do not express anything but the relative increase of the operations. The real totals would be found approximately by dividing by 3½.

EXCHANGE TRANSACTIONS AT NEW ORLEANS

	Proportion of the Whole	Proportion of Western and Southwestern		Proportion of the Whole	Proportion of Western and Southwestern
1829.....	.158	.343	1833....	.194	.366
1830.....	.195	.346	1834....	.195	.393
1831.....	.221	.406	1835....	.334	.451
1832.....	.209	.347			

APPENDIX IX

DISTRIBUTION OF THE BANK'S STOCK

	1820 Oct. 2	1821 April 2	1822 Jan. 1	1823 July 7	1828 Sept. 2	1831 July	1832 Jan. 17
Maine	676	715	745	746	511	498	498
Mass	17,397	20,961	24,196	27,837	16,646	10,812	11,175
R. I	4,124	4,122	3,867	3,217	1,801	1,245	1,218
Conn	2,109	2,141	1,809	2,361	1,251	1,511	1,539
N. H........	1,048	891	852	832	587	501	301
Vermont....	62	62	62	132	57	27	27
New York ..	23,543	28,116	44,200	40,289	46,638	32,903	30,881
Penn	37,334	36,231	37,268	37,269	70,763	52,638	51,028
New Jersey.	1,249	1,546	1,111	2,017	3,084	2,665	2,787
Delaware ...	867	867	684	666	1,264	1,583	1,531
Maryland ...	41,528	42,702	37,748	38,490	34,262	34,503	34,235
Virginia	17,590	16,340	15,061	13,059	10,872	12,384	11,617
Dist. of Col.	2,791	2,791	2,815	2,432	3,448	2,814	2,725
N. Carolina .	2,461	2,595	2,240	2,351	3,115	2,476	2,391
S. Carolina..	47,458	40,199	33,444	29,685	35,495	40,674	40,242
Georgia	7,846	8,409	3,853	2,817	2,216	1,981	1,981
Kentucky ..	796	704	234	337	607	252	252
Ohio........	2,104	2,099	2,096	712	588	705	356
Louisiana...	891	908	665	306	154	119	119
Tennessee ..	194	196	151	191	269	238	258
Alabama....	.....	.....	54	.....	10	.....	.....
Indiana	.....	.....	.....	.....	30	50	50
Illinois	.....	.....	.....	.....	310	220	167
Arkansas ...	.....	.....	.....	.....	.....	42	42
U. S. A-Navy	62	23	393	502	.....	.....	.....
Foreign.....	29,288	30,400	28,317[1]	30,017	40,412	79,159	84,055
Unknown ...	503	803	481	496	.....	.....	.....
Bank U. S..	38,079	36,179	37,654	38,239	5,610	.....	.....
U. S........	70,000	70,000	70,000	70,000	70,000	70,000	70,000

Total amount of stock, 350,000 shares.

[1] Mostly pledged, and owned by United States citizens.

—For 1820, 1821, 1822, NILES, Vol. XXI, p. 355; 1823, *ibid.*, Vol. XXV, p. 326, and *F.*, Vol. IV, p. 369; 1828, NILES, Vol. XXXV, p. 73 (Sept. 27, 1828); 1831, *ibid.*, Vol. XLI, p. 112; 1832, *S. D.* 31, 22d Cong., 1st Sess.

APPENDIX X

RULES AND REGULATIONS FOR THE GOVERNMENT OF THE OFFICES OF DISCOUNT AND DEPOSIT

It has not been possible to procure a copy of the Rules and Regulations for the Offices. The following have been collected from various sources:

ART. 4. The directors of the Bank of the United States shall appoint the cashiers of the offices of discount and deposit.

ART. 5. It shall be the duty of the cashier carefully to observe the conduct of all persons employed under him, and report to the board such instances of neglect, incapacity, or bad conduct as he may discover in any of them; daily to examine the settlement of the cash account of the office; take charge of the cash, and whenever the actual amount disagrees with the balance of the cash account, report the same to the president and directors without delay; to attend all meetings of the board; keep a fair and regular account of its proceedings; give such information to the board as may be required; consult with committees when requested, on subjects referred by the board; and also to perform such other services as may be required of him by the board.

ART. 12. There shall be at least one discount day in each week, when the directors shall be assembled; a majority of the members shall be required to form a quorum, except for the purpose of settling discounts, for which five shall constitute a quorum, and no bill or note shall be discounted the unexpired term of which exceeds sixty days.

ART. 14. All bills and notes offered for discount shall be laid before the board of directors by the cashier on the days assigned for discount, together with a statement of the funds and situation of the office, for their information.

ART. 15. Discounts shall not be made on personal security without two responsible names (the firm of a house being considered as one name only); but if the stock of the Bank of the United States, funded debt of the United States, or such other property as shall be approved by the board, be deposited and pledged to an amount sufficient to secure the payment, with all damages, one *responsible* name may be taken. But no accommodation note (i. e. a note, the proceeds of which are to be placed to the credit of the drawer) shall be discounted, unless its payment be secured by a deposit of the stock of this bank, or of funded debt of the United States, or such other property as shall be approved by the board; together with an express authority to the bank to sell the deposit in case of non-payment at any time after the note shall become due.

ART. 16. On each application for discount, every director who may be present, shall be held to give his opinion for or against the same. And no discount shall be made without the consent of three-fourths of the directors present; and all notes and bills discounted shall be entered in a book, to be called *the Credit Book*, in such manner as to discover to the board, at one view, on each discount day, the amount of which any person is discounter, or is indebted to the office, either as payer or as endorser.

ART. 17. On every discount day, the name of every person who shall have overdrawn the office since the last discount day shall be reported to the board; and no person while he remains an over-drawer, shall have any note or bill discounted by the offices. And in no instance will this bank give a release or discharge to any debtor when the debt arises from an overdraft. And every officer who shall knowingly suffer an overdraft to be made on the office, without communicating it to the president and cashier, shall be dismissed from the service of the office.

ART. 21. A committee on the state of the office, shall be appointed by ballot every three months, to examine and count the discounted notes, and compare the amount thereof with the balance of the amount of bills discounted in the general ledger, they shall also count the cash, and examine the evidences of the other property of the bank, and make an inventory of the same to be compared with the books in order to ascertain their agreement, and make report to the board.

ART. 22. The Presidents and Cashiers of offices, shall take, and subscribe an oath, or affirmation to the following effect, to wit: I ——— do swear (or affirm) that I will, to the best of my knowledge and abilities, perform the duties assigned to, and the trust reposed in me as ——— of the office of discount and deposit of the Bank of the United States.

ART. 24. The offices of discount and deposite shall receive in payment of the revenue of the United States the notes of such State banks as redeemed [?] their engagements with specie, and provided they are the notes of banks located in the city or place where the office receiving them is established. And also the notes of such other banks, as a special deposite on behalf of the Government, as the Secretary of the Treasury may require.

ART. 25. The offices of discount and deposite shall, at least once every week, settle with the State banks for their notes received in payment of the revenue, or for the engagements of individuals to the bank, so as to prevent the balance due to the office from swelling to an inconvenient amount.

ART. 27. The respective offices shall, once in every week, make out and transmit to the directors of the Bank of the United States, a distinct abstract of the state of their funds; which abstract shall ascertain the amounts of the debts and credits of the office, amount of notes issued

by the office, and then in circulation, the amount of cash on hand; and shall likewise distinguish in the account of cash on hand, how much thereof is in specie, and how much in the several kinds of bank notes, designating the notes of the parent bank, and those of each office particularly.

ART. 31. The directors of the offices shall be empowered to form and establish all other rules and regulations for the interior management of the offices; provided, the same be not repugnant to law, or to the rules and regulations of the Bank of the United States, or the resolutions of the directors thereof.

APPENDIX XI

PRICES OF UNITED STATES BANK BRANCH NOTES AT PHILADELPHIA[1]

1818	
September 7	1 d.
October 5	1 d.
November 2	1 d.
December 7	1 d.
1819	
January–February	1 d.
March–April	¾d.
May	½ to ¾d.
June	¾d.
July–December	½d.
1820	
January–December	½d.
Boston Branch	
September–October	4 d.
November–December	2 d.
Middletown Branch	
September–December	2 d.
1821	
January–December	½d.
1821	
Boston and New Hampshire Branches	
January–December	2 d.
1822	
January–December	½d.
Boston and New Hampshire Branches	
January–May	2 d.
June–December	½d.
1823	
January–February	½d.
March–May	⅓d.
June–December	¼d.
1824	
January–June	¼d.
July–September	par
Oct.–Nov., small, par; large,	¼d.
December	par

[1] *S. D.* 457, 25th Cong., 2d Sess., pp. 10–29.

APPENDIX XII

YEARLY AVERAGE CIRCULATION

1817	$3,658,000	1824	$ 5,791,000	1831	$19,035,000
1818	8,461,000	1825	8,825,000	1832	19,989,000
1819	4,809,000	1826	9,635,000	1833	18,636,000
1820	4,491,000	1827	9,780,000	1834	16,790,000
1821	5,654,000	1828	11,067,000	1835	22,340,000
1822	5,306,000	1829	13,102,000	1836	20,958,000
1823	4,487,000	1830	15,067,000		

The average for 1817 is of little value as an average, for the bank began operations in this year, and as a consequence its dealings were too meager until late in the year to make a real average.

In 1836 only two months, January and February, are averaged. After these months the bank was a state institution.

APPENDIX XIII

YEARLY AVERAGE DEPOSITS

1817	$13,413,000	1824	$12,779,000	1831	$17,220,000
1818	11,173,000	1825	12,736,000	1832	19,593,000
1819	5,800,000	1826	13,385,000	1833	16,730,000
1820	6,693,000	1827	14,342,000	1834	9,496,000
1821	6,917,000	1828	15,427,000	1835	9,494,000
1822	7,491,000	1829	15,516,000	1836	4,057,000
1823	11,075,000	1830	16,059,000		

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[1] This bibliography is only approximately complete.

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